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NEWS SUMMARY

GENERAL

Hijack 'was part of plot' says Zia

Pakistan's military ruler General Zia-ul-Haq said the hijacking of a Pakistani airliner in which more than 100 people were held hostage for 13 days was part of a conspiracy to turn the country from its chosen Islamic path.

His government would take immediate and harsh steps to weed out "anti-state elements," he said in a television broadcast. "All elements behind *the conspiracy must be exposed* and punished."

In Damascus, passengers from the airliner were recovering in a Syrian military hospital after the surrender of their three captors. Syria offers freedom to hijackers: Page 2

Disruption plan

Civil service unions say their selective industrial action over a pay dispute will be intensified this week. Customs and excise staff at ports and airports are expected to walk out today. Back Page

Surcharges fear

Strength of the dollar, and rising costs are likely to cause a spate of package holiday surcharges this summer. These could be particularly noticeable on North Atlantic holidays. Page 4

Barrington dies

Ken Barrington, 50, one of England's greatest post-war cricketers, died of a heart attack in Barbados. He was England's assistant manager for the West Indies tour. Page 17

Hunger striker

A second H-Block inmate at Ulster's Maze Prison began a hunger strike as part of the IRA campaign for political status for prisoners.

Salvador boost

The U.S. is to give £57m in emergency civilian aid to El Salvador in an effort to improve the country's deteriorating economic position. Back Page

Coluche quits

Coluche, the Parisian clown, has withdrawn from the French Presidential elections after failing to secure the backing from elected representatives required under election rules. Giscard's campaign hit: Page 2

'Violence' move

Labour MP Michael Meacher has sent *Home Secretary* William Whitelaw details of 43 allegations of police violence against suspects in custody.

Food for thought

Five restaurants — the Connaught Hotel (London), Miller Home (Windermere), Arbutus Lodge (Cork), White Moss House (Grasmere), and Gravetye Manor (East Grinstead) — have won the triple crown for cooking, wines and hotel-keeping in the latest Consumers' Association Good Food Guide. Men and Matters, Page 18

Fortune riddle

Pensioner George Pearson, 77, killed in a road accident near his Cambridgeshire home, secretly amassed a possible £100,000 through financial wizardry. But police said he lived in "absolute squalor," and burned roadside rubbish for fuel.

Briefly . . .

French film director René Clair, who specialised in comedies, died aged 82 in Paris.

22-month-old girl died after being trapped under a milk float outside her Derbyshire home.

BUSINESS

Denim plant plan for north east

● HONG KONG TEXTILE group Yanktsekiang Garment Manufacturing is expected to anounce plans soon for a £10m denim fabric plant at Washington New Town, in the north-east. Back Page; U.S. bides time on EEC textiles appeal, Page 3

● NISSAN of Japan is seeking a British manager—probably from outside the motor industry—for its proposed UK car plant. Back Page; Japan blamed for UK job losses, Page 5

● INSURANCE market competition across EEC frontiers will be sought in a UK Government campaign. *Back Page*

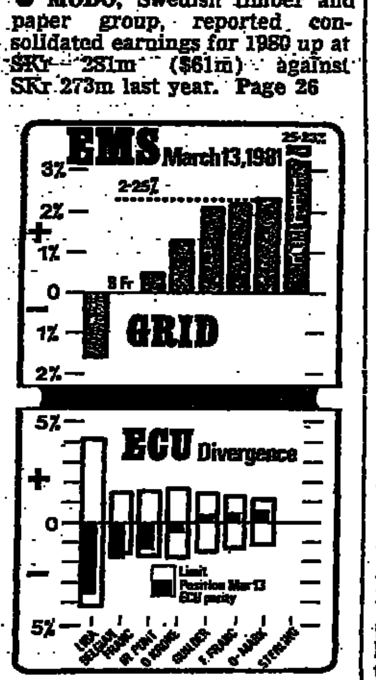
● RECOVERY in the UK economy will be delayed and consumer spending depressed by the Budget measures, according to a new analysis by Economic Models, part of the Data Resources forecasting group. Page 4

● S. G. WARBURG, the leading London merchant bank, is to team up with the U.S. Aetna Life and Casualty Company to provide investment management for American pension fund international portfolios. Page 4

● SLADE, the print craft union, voted for amalgamation with the larger NGA at a special delegate conference. Page 6

● BANK OF JAPAN is reported to be ready to reduce its official discount rate by 1 percentage point to 6.25 per cent. Page 2

● MODO, Swedish timber and paper group, reported consolidated earnings for 1980 up at SKr 281m ($61m) against SKr 273m last year. Page 26



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● D-MARK was the strongest member of the European Monetary System at the end of last week, following the recent sharp rise in German interest rates. Belgian Treasury bill rates rose again in an attempt to defend the Belgian franc, which remained well outside its alarm bell divergence limit, and also touched its lowest permitted cross rate level against the D-mark. Belgium's discount rate was left at 12 per cent, despite recent expectations of an increase.

In the present economic situation the Belgian National Bank prefers to continue heavy intervention. The German Bundesbank also intervened to help the Belgian currency last week. The French franc and Dutch guilder remained firm near the top of the system, but the Irish punt came under further pressure and the Italian lira was again weakest currency overall.

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Total and Elf forced to change plans for North Sea field

BY RAY DAFTER, ENERGY EDITOR

FRANCE's two leading oil companies, Total and Elf, are being forced to change their $1.5bn development plans for a North Sea field in order to win new exploration licences.

Their wrangle with the Department of Energy over plans for the Alwyn Field, north-east of Aberdeen, is one of the reasons for delay in the issue of over a dozen seventh-round drilling concessions.

British Petroleum, which has applied for some blocks in partnership with the two French companies, has also been hit by the delay. Shell and British National Oil Corporation, which *had sought licences with Total*, have also been affected.

The Government is understood to be refusing to grant any licences involving Total and Elf until they agree to transport natural gas from the Alwyn discovery through the proposed UK gas-gathering pipeline network.

In their Alwyn development application, now with Energy Department officials, the French companies have proposed that any gas produced with crude oil should be fed into an existing pipeline nearby which runs from the Frigg Field to north-east Scotland. Elf is the operator of the Frigg Field, while Total is the lead company for the Frigg pipeline system.

Mr. Hamish Gray, Minister of State for Energy, who is responsible for the Government's offshore oil and gas policies, has said that it could be months rather than weeks before the outstanding blocks, up to 18 in number, can be awarded.

There were a number of "difficult problems to resolve," he said last week when issuing a batch of 37 licences. Mr. Gray has been the Minister pressing *most strongly for construction* of the gas-gathering network.

All licences are issued at the discretion of the Government. It is not the first time that allocation of drilling concessions has been linked to a particular aspect of Government policy.

In a previous round Amoco failed to win a licence because at the time it had refused to enter voluntary State participation arrangements covering North Sea crude oil sales.

Elf and Total, two experienced North Sea companies, were among the keenest bidders for seventh-round licences.

Elf, for instance, is understood to have submitted applications for 19 blocks, including licences of the Shetland Islands and in the Western Approaches, areas where some of the blocks have still to be allocated.

So far the two companies have failed to win any of the 42 industry-nominated "premium" blocks or the 41 Government-designated blocks which have been licensed. Neither company would comment last night.

BP, it seems, has been caught for two reasons. First, it had applied for four blocks in partnership with Elf and Total.

Second, it is understood that the group is among offshore companies seeking licences being delayed because of nevironmental concerns.

Some of the most attractive blocks in the seventh round, English Channel concessions close to the Isle of Wight, are thought to be the subject of new environmental inquiries.

One, an inshore block, is next to the British Gas—BP Wytch Farm oilfield in Dorset.

Row brews over public investment hard line

BY ANATOLE KALETSKY

THE GOVERNMENT'S hardening attitude to public sector investment may provoke a row between Treasury Ministers and industrialists in both the public and the private sectors.

In the wake of the Budget, Treasury Ministers have strongly opposed increases in public investment which would boost the Public Sector Borrowing Requirement and, for the first time, apparently ruled out financial changes which would exclude some of the nationalised industries' financing from the PSBR.

Meanwhile, among the nationalised industry chairmen who have been seeking such changes, attitudes have also hardened. Even in the Departments of Industry, Energy and Transport, the idea of relaxing PSBR constraints on potentially profitable investment programmes is said to have developed an "irresistible momentum."

The Confederation of British Industry is also still pressing the Government to allow higher public investment, which it believes could make a big contribution to economic recovery in the coming year.

In the Treasury itself, the issue may be causing a split. A month before the Budget officials were showing flexibility in negotiations over a new type of Telecom bond, which would have allowed British Telecom to raise an additional £360m for investment and working capital in the coming financial year.

The Treasury's condition for permitting higher investment appeared to be that this should be financed by an instrument which did not compete with its own gilt-edged borrowings and which included a genuine element of risk in its rate of return.

Budget reaction. Page 4
"Free lunch" budget critics. Page 16

However, since the Budget, this progress seems to have been abruptly reversed. Mr. Leon Brittan, the Chief Secretary to the Treasury, said in the Commons on Wednesday:

"Allowing nationalised industries to raise money would be substituting additional investment in railways or water for investment in, for example, engineering or agriculture and would delay the recovery of the private sector."

Mr. Brittan also made clear that however it is financed, nationalised industry investment additional to the provision made in the Public Expenditure White Paper could only be allowed if there are cuts in other spending programmes.

However, a softer line was put forward by Mr. Norman Fowler, Transport Minister, on Saturday. Speaking in his constituency he said: "We should be seeking further ways of bringing private investment to some of our big nationalised industries and to any opportunity where it can earn a commercial return." This would "create more jobs and achieve more orders for industry without increasing public spending."

The idea that "privatisation" through joint ventures could reconcile these two positions is implausible because the managements of Telecom and Railways, while supporting joint ventures with the private sector, see no way of applying the joint venture solution to the ownership of their "core" capital: the railway tracks and the telephone lines.

"Privatising" whole industries such as the railways and tele-communications, even if it was under serious Cabinet consideration, would be a slow process. Thus it could provide no help with investment in the coming financial year.

Inquiry into rising cost of roads

By Peter Riddell and Lynton McLain

A WHITEHALL inquiry into roadbuilding costs is being made because they have risen much more rapidly than prices generally in the past year. The cost of the M25 around London, in particular, has gone up sharply.

The focus of ministers' concern is the apparent contradiction between the sharp increase in the relative cost of building motorways and trunk roads, and the depressed state of the construction industry, which should be holding down the price of such work.

The Transport Department has set up a working party with the Treasury to find the cause.

The matter came to light through a figure in last week's public expenditure White Paper. This showed the balance between the rise in the cost of capital spending and between price increases generally worsened by 6½ per cent in 1980-81 compared with the previous financial year.

Part of this gap—equivalent to an extra £350m of spending at 1979-80 prices—can be explained by a more rapid rise in the relative cost of defence equipment.

The main explanation is the sharp rise in the cost of road building.

The department concedes that cost increases have been higher than allowed for when the 1980-81 cash limits were set. The limit is unlikely to

Continued on Back Page

'Wets' give Budget strategy a chance

BY RICHARD EVANS, LOBBY EDITOR

SENIOR CABINET and Conservative Party critics of the Government's Budget strategy are prepared to give the Chancellor of the Exchequer until the autumn to prove his judgment right. If economic prospects are not much brighter then, a concerted attempt will be launched to change the direction of Government policy.

This is the compromise reached in desperate attempts by Ministers to regain some semblance of unity after Sir Geoffrey Howe's Budget, which has led to the most severe party crisis since the Tories regained office.

The Treasury appears to be committed to the view that the economy will start to improve now, rather than later in the year. The validity of this judgment could be crucial to the future unity of the Cabinet and the party.

Mr. Nigel Lawson, Financial Secretary to the Treasury, appeared to change the emphasis on timing of the expected upturn in the economy when he said yesterday that Ministers "believe the recession is more or less at the bottom, and from now on the economy is going to be growing."

He added later in an iterview on London Weekend Television. "We aresetill on course and the strategy is still intact."

"And there are a number of things that are going to make this second half of the Parliament easier—the fact is that inflation is coming down and interest rates are coming down . . . on our best estimates we think that the downward movement of the economy, the recession, is round about the bottom now and from now on we are going tosee things turning up."

If he is right and economic indications are more favourable by the autumn, Mrs. Thatcher and her Government stand a good chance of weathering the crisis. But if he is wrong, Cabinet critics will find strong support at the Tory Party conference at Blackpool in October for an immediate change of policy to aid industry and secure more jobs.

The Government's official economic forecasts, published on Tuesday with the Budget, provide little justification for optimism. They show a 0.8 per cent fall in output between the second half of 1980 and the first half of 1981. The pace of recovery from then on, roughly ½ per cent on gross domestic product in the next six months, is described as "only gentle."

Both these figures are well within the margin o error displayed by the Treasury model's previous forecasts.

A further attack on the Budget for failing to help business enough is likely from the Confederation of British Industry after its council meeting on Wednesday.

The Government faces a test of its political nerve in the Commons tonight, when MPs vote on the Budget resolutions.

The 20p petrol and diesel duty rise is the issue on which critics of the Budget intend to concentrate. Government whips are confident of victory—the Government's overall majority is 44—but at least 12, possibly 20 Tory MPs intend to vote against the increase or abstain.

German banks fail to agree on loan to Moscow

BY KEVIN DONE IN FRANKFURT

WEST GERMAN banks have failed to reach agreement on an acceptable interest rate structure for their planned DM 10bn (£2.1bn) credit to the Soviet Union.

The group of 14 banks, led by Deutsche Bank, has been thrown into disarray by the steep rise in West German interest rates in recent weeks, and some institutions are clearly considering pulling out of the consortium.

In the next few weeks consortium members must tell Deutsche Bank individually whether they wish to remain in the negotiations, and if so on what terms.

The loan, under negotiation for many months, is to finance West German pipe and equipment exports to be used in construction of a 5,000-km natural gas pipeline from western Siberia to Western Europe.

West German economy: The miracle is not yet over, Page 18

The scheme is the largest East-West trade deal ever proposed, and an important component of the new Five-Year Plan.

The total cost of the project is estimated at about DM 20bn (£4.2bn. Beginning in the mid-1980s Russia aims at exporting up to 40bn cubic metres of natural gas a year through the line to a group of European countries, including West Germany (12bn cubic metres), France, Belgium, Holland, Austria and Italy.

The deal is running not only into financial difficulties. It is also arousing concern in the Reagan Administration because of the way it will add to Western Europe's dependence on Russia for a growing part of its energy supplies.

At the weekend Herr Kurt Becker, the Federal Government spokesman, said that Bonn did not share U.S. anxieties that extra Russian energy supplies would put West Germany under the "political sway" of Moscow.

In visits to the U.S. this month senior West German Ministers went to some lengths to allay Washington's fears. Bonn maintains that the sensitive level for imports of Soviet gas would be about 30 per cent of West Germany's total import, and that the proposed deal would not breach this barrier.

Financially Bonn is willing to back the proposed DM 10bn bank loan with an export credit guarantee, but late last week it became clear that the banks were still unable to agree on terms and conditions for the credit.

A meeting of senior executives from the consortium banks in Frankfurt failed to produce a package acceptable to all parties.

It is understood that the bankers were told that Moscow reacted with "injured surprise" when told that the German banks felt they could no longer stand by the terms of the agreement in principle, reached early this year in negotiations between Deutsche Bank and Soviet officials.

That agreement called for an "internal" interest rate of *9.75 per cent. It would have* been achieved by an "external" rate of 7.75 per cent, the highest the Russians were prepared to go, together with an extra 2 per cent to be derived through higher prices for West German equipment and pipe supplies.

The sudden and rapid rise in West German interest rates in recent weeks, however, has persuaded several of the consortium banks that such fixed-rate terms would involve an unacceptable risk. The loan was planned to run for ten years and would be paid back through the gas deliveries.

The latest consortium meeting considered various alternative models for the credit. A suggested 10.25 per cent "internal" fixed rate of interest was also rejected as too far below present market rates, and for leaving too much interest risk to be carried by the companies supplying pipes and equipment.

"The deal is not closed," said a Frankfurt banker after the latest talks, "but it has gone back to the poker game."

Another banker said: "It has run out of steam. Now we must play for time or wait for a change in the capital markets."

So far the German banking consortium has been organised into a leading group of six banks, Deutsche Bank; Dresdner Bank; Commerzbank; Westdeutsche Landesbank; Bayerische Landesbank; and Deutsche Genossenschaftsbank, which would each finance an 8.5 per cent share in the loan.

A second group of eight banks, Norddeutsche Landesbank; Bayerische Vereinsbank; Bayerische Hypotheken-und-Wechselbank; Bank für Gemeinwirtschaft; Hessische Landesbank; Landesbank Rheinland-Pfalz; Deutsche Girozentrale; and Berliner Handels-und-Frankfürter Bank, were to have taken up shares of around 4.5 per cent.

Japanese shipyards expansion criticised

By William Hall, Shipping Correspondent

THE RECENT sharp increase in the world market share of Japan's shipbuilding industry and its plans to increase output by a third in 1981-82 are likely to come under heavy attack at tomorrow's meeting of the Organisation for Economic Co-operation and Development working party No. 6, which is responsible for shipbuilding.

Several European executives of shipbuilding concerns led by Mr. Robert Atkinson, chairman of British Shipbuilders, believe that Japan has reneged on its agreement to cut its shipbuilding capacity and is engaged *in an aggressive campaign of* market expansion.

Mr. Atkinson believes that the European shipbuilding industry could soon face extinction unless measures are taken to combat Japanese competition.

Since the start of the world shipbuilding recession five years ago, nearly 100,000 jobs have been shed in the industry in Europe and output has been cut by nearly half. In Japan, 57,000 shipyard jobs have disappeared and output has been reduced by over a third.

Japan blamed for British jobs loss. Page 5.
Nissan searching for manager. Back Page.

Mr. Atkinson and some of the European shipbuilders argue that Japan is no longer honouring the spirit of the 1976 OECD agreement on "the general guidelines of Government policies in the shipbuilding industry."

The main objectives of this agreement was to effect an orderly run-down of over-capacity in both the Japanese and European industries.

Japan and Western Europe controlled four-fifths of world shipbuilding capacity in the mid-1970s and were each producing around 7.7m compensated gross registered tonnage a year. The tacit assumption underlying the agreement was that market shares would be maintained by voluntary agreement during the run-down.

The Association of West European Shipbuilders (AWES) forecast in 1976 that by 1980 annual output in Japan and Western Europe would be cut to 3.9m compensated gross registered tonnes a year apiece —a reduction of 50 per cent against 1975 production.

Until last year the Japanese and European shipbuilding industries were contracting at a similar rate. But last year

Continued on Back Page

U.S. miners reach compromise at tense pay talks

BY IAN HARGREAVES IN NEW YORK

U.S. EAST COAST miners and mine owners held tense pay talks at the weekend in an attempt to get a settlement by the official strike deadline tomorrow.

Indications from the talks, which have produced a strike at every three-year bargaining session since 1964, are that one crucial breakthrough has been made, but that the sides are still deadlocked over the highly complex issue of pension funding.

Compromise has been reached, it is believed, upon the question of how miners' pay should be protected against inflation, with the United Mineworkers' Union now unofficially prepared to accept a deal without a formal cost-of-living indexed structure, settling instead for a series of pay reviews throughout the life of the three-year contract. The increase in basic pay is expected to be around 35 per cent.

In return, the negotiations of the Bituminous Coal Operators' Association are said to have offered concessions in a controversial demand for round the clock shifts in the most productive mines, a step which miners feared would lead to concentration of activity at only the best mines as the industry still has too much capacity.

The pension argument turns upon the employers' demand that the industry switch from a generally funded scheme to individual company-run pension programmes.

The miners are resisting this because they fear the principle of divide and rule, but also because they are worried about the fate of the huge component of the existing pensions programme (estimated at $4bn), which is not funded and therefore represents a future liability for the mine owners.

If a satisfactory arrangement could be reached on this latter point, there appears to be scope for a settlement.

Sharper Tokyo interest rate cut likely

By Richard C. Hanson

THE Bank of Japan is reported to be ready today to reduce its official discount rate by a sharper than expected 1 percentage point to 6.25 per cent, effective tomorrow.

The authorities, worried by recent signs of trouble for business, appear to be taking a much more reflationary line than earlier believed.

Along with across-the-board lowering of key loan interest rates—which normally follows a discount rate cut—the reserve requirement for banks is expected to fall. The Central Bank has also dropped hints that the volume of money banks have to lend will be further boosted by a substantial loosening, of its "window guidance" bank loan ceilings set for the April-June quarter.

The Government is also set this week to approve a "package" of stimulative measures, aimed mostly at reviving private housing construction and stepping up the rate of public works spending

Strike postponed

Free trade union leaders in the Polish industrial city of Radom yesterday postponed a threatened strike tomorrow by 24 hours following the resignation of the local governor and an offer to resign by the regional party boss, Reuter reports from Warsaw.

Israel poll slip

Israel's opposition Labor Party has slipped in popularity although it remains favoured to win the election in June, according to an opinion poll published at the weekend, AP reports from Tel Aviv. The poll put Labor support at 43.5 per cent, compared with 48.6 two months ago.

CAR election

For the first time in 17 years, voters in the Central African Republic went to the polls to elect a president, AP reports from Banqui. President David Dacko is expected to win. His most serious opponent is M. Ange Patasse, a former premier under the dictator, Jean Bedel Bokassa.

Syria offers freedom to Pakistan hijackers

BY OUR FOREIGN STAFF

THREE hijackers and 54 political prisoners released in exchange for more than 100 hostages held aboard a Pakistani airliner for 13 days were yesterday given asylum in Syria and told they were "free to go wherever they wish."

Officials in Damascus refused to say whether the opponents of Pakistani President Zia ul-Haq would be granted political asylum and allowed to mount further operations from Syria, but it was clear that the 57 were receiving sympathetic treatment.

The hostages were yesterday being examined by Syrian doctors after their 13-day ordeal. The hijacking—the longest ever—ended when the hijackers gave themselves up after the 54 political prisoners released by Pakistan landed at Damascus airport late on Saturday night.

Libya, which had originally offered, to grant political asylum to the hijackers and their supporters, changed its mind minutes before the plane carrying the released prisoners was due to land in Tripoli.

Libyan officials said that the change of heart was due to the fact that "Libya opposes taking innocent people as hostage" and wants to shed its image as a supporter of international terrorism.

In Islamabad, President Zia, trying to put a brave face on what amounts to a complete capitulation to the hijackers' demands, accused them of being part of a deep conspiracy aimed at turning the country from its chosen Islamic path.

While not mentioning by name the Pakistan's People's Party of executed Prime Minister Zulfikar Ali Bhutto, President Zia clearly implied that the banned party was behind the hijack.

Pakistani officials have consistently maintained that the hijackers belong to the armed wing of the PPP and that the operation was planned by Mr. Murtaza Bhutto, the relatively unknown 26-year-old son of the former Prime Minister.

President Zia, in a national television broadcast said that his military government would take "immediate and harsh steps" to make the country safe and weed out "anti-state elements" in Pakistan.

The threat follows his present campaign of political repression in which hundreds of political activists have been detained, including the late Mr. Bhutto's widow and daughter.

President Zia said the decision to accept the hijackers' demands was taken to save the passengers lives. Clearly at pains to stress that the Pakistani and Syrian Governments were acting in complete agreement, he said that Syria had requested permission to give the hijackers and prisoners temporary refuge.

However, President Hafez Assad of Syria repeatedly refused requests by President Zia to storm the plane. Instead, Syrian officials concentrated first on persuading the hijackers to scale down their original demands and secondly on pressuring President Zia to yield to a "reasonable package."

Bhutto's legacy and the Afghan problem haunt Zia

BY SIMON HENDERSON

THE conclusion of the hijack drama at Damascus on Saturday is the first political defeat that President Zia-ul Haq has suffered since he seized power in a military coup in 1977.

This could well prove the key to the consequences for Pakistan of the 13-day drama which ended with the realease of the 102 passengers in return for 54 political prisoners, with a young Pakistani diplomat passenger the only victim, shot in the first week of the affair.

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President Zia's rule has often appeared uncertain but he has always survived his crises—the main one being the execution of the former Prime Minister Zulfikar Ali Bhutto in 1979.

But the hijack has reminded the people of Pakistan, along with the rest of the world, of his two main threats: Mr. Bhutto's Pakistan People's Party, now under the leadership of his wife and eldest daughter, leads the opposition to military rule, and neighbouring Afghanistan, with its Russian occupation forces is Zia's greatest foreign policy problem.

Gen. Zia . . . a first defeat

The hijacking may not necessarily have started as a national political protest. The three hijackers were wanted for the murder of a rival student leader and were on the run, with some of their relatives under arrest. This was reason enough for the incident to take place.

Neither is it certain that this action is part of a much wider, well-organised strategy

But it was small surprise that the hijacking should immediately be linked with the People's Party and the Bhutto family. The 26-year-old son, Murtaza, has been living, off and on, in Kabul for about a year. Several months ago President Zia's government brought charges against him in-absentia for plotting against the regime.

Bhutto supporters in London deny that Murtaza was involved. Reports say that he was at Kabul airport when the hijacked aircraft arrived. But those close to the family claim he was not even in Afghanistan.

With the tribal rebellion in Afghanistan bolstered by the swelling Afghan refugee population in Pakistan, it was also small surprise that the Kabul authorities took advantage of the incident.

Whether or not the hijackers acted in collusion with the Afghan government, Kabul's attitude to the hijacking probably ends for a long time the possibility of even a partial settlement of the crisis in the region. Pakistan, a reluctant host to more than 1m refugees, has been seeking a formula by which talks could take place with the government of Mr. Babrak Karmal and the invading Soviet forces which keep him in power.

Instead the border crisis could be stepped up. Pakistan's acquiesence to arms being transported across its territory to the rebels could provide the pretext for cross-border exchanges.

President Zia's most immediate problem is probably to stop domestic political protest from erupting into street protests further acts of terrorism or saboetge. This is a job his military government has tackled adequately in the past. The question now is whether his brother generals still consider him the man for the job.

Iraq to provide arms to Iran's minority groups

BY IHSAN HIJAZI IN BEIRUT

MR. SADDAM HUSSEIN, the Iraqi President, has announced that his country will provide military and other assistance to Iranian minorities in an apparent attempt to partition Iran.

In a speech on Saturday to new units of the Iraqi "People Army" leaving for the front with Iran, Mr. Hussein said Baghdad was no longer concerned about Iran's unity because Tehran had opted to take a hostile stand towards the Arabs.

He said Iran was more vulnerable to dismemberment than Iraq because of the numerous Iranian minorities.

He said the time had come for the Arab minority in Khuzistan to establish "its national rights on its soil."

"Iraq is ready to establish strong ties with the Kurdish people of Iran. The people of Baluchistan and Azerbaijan. We are prepared to give them guns and other assistance."

The Iraqi warning is going hand in hand with a new intensity in the Gulf war, following the failure by an Islamic mission to bring about a ceasefire in the six-month old conflict.

Now, the non-aligned nations are to attempt mediation. A four-man delegation formed by last month's conference of non-aligned Foreign Ministers in New Delhi, is expected to meet here today to decide whether there is any point in undertaking a shuttle between Baghdad and Tehran.

President Husseins remarks were interpreted by observers here as suggesting that Iraq will help the Arab minority in Khuzistan home rule in areas of the province already captured by Iraqi troops.

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Job losses feed Giscard's rivals

BY TERRY DODSWORTH IN PARIS

PRESIDENT Valery Giscard d'Estaing's rivals in the French Presidential election campaign were handed another round of ammunition at the weekend in unemployment figures which showed a 2.8 per cent rise on the January total.

The seasonally adjusted figures, which pushed the total over 1.6m for the first time, are bound to embarrass the President after his recent admission that the rise in unemployment had been the greatest failure of his seven years in office.

The President has tried to defuse the issue by pointing out that about 500,000 extra jobs have been created during his mandate. But the steady rise in the number of jobless, which now stands 15.5 per cent higher than a year ago, is being relentlessly exploited by his opponents.

At the weekend, M. Francois Mitterrand, the Socialist candidate, said far more jobs should be created in the public services.

M. Michel Rocard, the national secretary of the Socialist Party, who renounced his Presidential candidacy in favour of M. Mitterrand, also stressed support for small and medium-sized businesses as future creators of employment.

Meanwhile, the row over the broad support given to President Giscard by the Soviet party newspaper, Pravda, on Friday rumbled on at the weekend.

Following the vigorous protest against the article by M. George Marchais, the French Communist leader, Humanite, the French Party newspaper, attacked all outside interference in the French Presidential campaign

Turks assail 'negligence'

BY DAVID TONGE

ADMIRAL BULENT ULUSU, the Turkish Prime Minister, accused France on Saturday of failing sufficiently to protect Turkish diplomats against assassination attempts.

In a toughly worded statement to a Press conference in Ankara he underlined the grave pitch reached in Turkish-French relations because of this. Two Turkish representatives were murdered in Paris on March 4, bringing the total number of Turkish officials killed abroad since 1973 to 17.

Armenian groups have claimed responsibility for most of these murders. Admiral Ulusu accused "certain states" of "negligence" after referring to the murder of five Turks in France.

Last week, in the only mass demonstration allowed since the Turkish military takeover in September, several thousand Turks marched in Ankara in protest at French policies and in particular that reports that French officials expressed understanding of the Armenians' position.

In the early 70s Turkey withdrew its ambassador from France because of this issue.

COMPANY NOTICES

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 19th February, 1981, NOTICE is now given that the following distribution will become payable on and after the 16th March, 1981, against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION PER UNIT	3.00	CENTS
LESS 15% U.S. WITHHOLDING TAX	.45	CENTS
	2.55	CENTS PER UNIT
CONVERTED at $2.2255 =	1.14581	PENCE PER UNIT

Barclays Bank Limited
Securities Services Department
54 Lombard Street, EC3P 3AH

16th March, 1981

GENERAL MINING UNION CORPORATION GROUP ANNUAL GENERAL MEETINGS

The Annual General Meetings of the undermentioned Companies (all of which are incorporated in the Republic of South Africa) will be held at Union Corporation Building, 74/78 Marshall Street, Johannesburg, on the dates mentioned below:

Name of Company	Date
The Grootvlei Proprietary Mines Limited	Friday 10 April, 1981 at 9.30 a.m.
Marievale Consolidated Mines Limited	Friday 10 April, 1981 at 10.00 a.m.
U.C. Investments Limited	Thursday 23 April, 1981 at 12.15 p.m.

per pro GENERAL MINING UNION CORPORATION (UK) LIMITED
London Secretaries
L. J. Baines

London Secretaries
30 Ely Place,
London, EC1N 6UA.
16 March, 1981.

CANON INC.

Advice has been received from Tokyo that the 80th Ordinary General Meeting of shareholders of the Company will be held at its Conference Room at 30-2 Shimomaruko 3-Chome, Ohta-Ku, Tokyo 144 at 9 a.m. on Monday, March 30, 1981.

AGENDA OF THE MEETING:

1. Approval of the business report, balance sheet, income statement and profit appropriation plan for the 80th business term (from January 1, 1980 to December 31, 1980).
2. Partial amendment of the articles of incorporation.
3. Election of twenty directors due to expiration of term of office of all the fifteen directors presently in office.
4. Election of two statutory auditors due to expiration of term of office of two statutory auditors presently in office.
5. Granting of retirement allowance to two retiring officers.

Holders of Depositary Receipts to Bearer (EDR's & BDR's) wishing to exercise their voting rights in respect of the Shares represented by the Receipts held by them are reminded that, in accordance with Clause 8 of the Conditions, they must lodge their receipts with Hill Samuel & Co. Limited by 3 p.m. March 23, 1981 or with one of the sub-agents by 3 p.m. March 20, 1981, where lodgement forms are available. Voting Rights may only be exercised in respect of Depositary Receipts representing Ordinary Shares on the register as at December 31, 1980.

Copies of the full text of the Notice convening the meeting are available if required.

HILL SAMUEL & CO. LIMITED
45 Beech Street,
London EC2P 2LX

US$30,000,000 Negotiable Floating Rate Certificates of Deposit due, 14th September, 1981

THE BANK OF YOKOHAMA, LIMITED LONDON

In accordance with the provisions of the Certificates, notice is hereby given that for the six months interest period from 16th March, 1981 to 14th September, 1981 the Certificates will carry an interest rate of 15 25/16% per annum. The relevant interest payment date will be 14th September, 1981.

Kleinwort, Benson Limited
Agent Bank

AKTIEBOLAGET SVENSK EXPORTKREDIT

(Swedish Export Credit Corporation)

U.S. $ 9¼% NOTES 1986

S. G. WARBURG & CO. LTD., announce that the semi-annual instalment of Bonds due for redemption on 15th April, 1981 for a nominal value of U.S.$1,430,000 has been met by purchases in the market.

U.S.$15,710,000 nominal amount of Bonds will remain outstanding after 15th April, 1981.

30, Gresham Street,
London EC2P 2EB.

16th March, 1981.

AKTIEBOLAGET SVENSK EXPORTKREDIT

(Swedish Export Credit Corporation)

U.S.$7¾% NOTES 1983

S. G. WARBURG & CO. LTD., announce that the redemption instalment of Bonds due 15th April, 1981 for a nominal value of U.S.$1,800,000 has been met by purchases in the market.

U.S.$8,800,000 nominal amount of Bonds will remain outstanding after 15th April, 1981.

30, Gresham Street,
London EC2P 2EB.

16th March, 1981.

STANDARD BANK IMPORT & EXPORT FINANCE COMPANY LIMITED

US$50,000,000
GUARANTEED FLOATING RATE NOTES DUE 1985
(Convertible at the option of the Noteholder into 9¼% Guaranteed Bonds due 1985)

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 16 1/16% and the Coupon Amount payable September 16, 1981, against Coupon No. 2 will be US$2092.43. The Conversion Interest Amount payable September 30, 1981, against Coupon No. 2 will be US$94.79.

By: Citibank, N.A., London, Agent Bank
March 16, 1981

TORAY INDUSTRIES, INC.

7¼% U.S. $ GUARANTEED NOTES 1984

S. G. WARBURG & CO. LTD., announce the redemption instalment of Bonds due 15th April, 1981 for a nominal value of U.S.$3,000,000 has been met by purchases in the market.

U.S.$21,000,000 nominal amount of Bonds will remain outstanding after 15th April, 1981.

30, Gresham Street,
London EC2P 2EB.

16th March, 1981.

TELEFONAKTIEBOLAGET L M ERICSSON

8½% BONDS 1989

S. G. WARBURG & CO. LTD., announce the redemption instalment of Bonds due 15th April, 1981 for a nominal value of U.S.$2,000,000 has been met by purchases in the market.

U.S.$26,000,000 nominal amount of Bonds will remain outstanding after 15th April, 1981.

30, Gresham Street,
London EC2P 2EB.

16th March, 1981.

MULTIFIBRE ARRANGEMENT IN DISPUTE

Warring factions flex their muscles

BY GILES MERRITT IN BRUSSELS

A NO-HOLDS-BARRED fight is shaping up between the "heavy-weight" might of the industrialised West and the gritty "bantamweight" drive of the Third World.

The bout is set for Geneva later this year, and the prize is a deal on low-cost textile exports that only the winning combatant is likely to find acceptable.

The Multifibre Arrangement, the GATT international textile trade pact between developing producer countries and the industrialised ones that are their markets, is not normally the subject of passions or the object of widespread publicity.

Since it was first negotiated in 1973 as a framework for trade liberalisation it has been an important but, nevertheless, slightly arcane item on the agenda of world trade agreements. This year, though, things look different.

Caught between the rising protectionism of its own member governments and the demands for a fair deal from the low-cost producers, the European Commission of the EEC is labouring to bring forth a policy paper that will be the basis of the EEC's position at *the MFA renewal talks. It is* suffering labour pains, and the EEC has just postponed completion of its document until March 25. In addition there are doubts that member Governments will quickly agree a common stance.

The difficulty is that textiles and clothing are hot issues throughout Europe and North America. In the EEC alone half of the 4m people employed in the sector may lose their jobs by the mid-1980s. Low-cost imports probably account for no more than 10-15 per cent of such losses, but that grim future, together with the stagnation of demand, means that the political climate in Europe for the MFA is exceptionally chilly.

Yet the MFA exporting nations are also feeling the pinch and are set on rejecting any new four-year deal similar to that which expires at the end of 1981. The 1977 deal used the escape clauses of "reasonable departures" and "basket extractor" devices to reverse the original aim of the MFA and turn it instead into a mechanism of import restraint.

"Remember Indonesia" has become a battle cry among Third World diplomats hoping for a better collective deal in their tough negotiations with the industrialised West on the renewal of the Multifibre Arrangement. Jakarta authorities, believing the MFA had been used against them, won trade concessions from Britain by holding up a range of unrelated capital projects undertaken by UK concerns

The 24 or so developing countries that rely heavily on textile exports are now preparing their own common negotiating front. In a few weeks they will meet in Manila to refine the *Bogota Paper that* was agreed in the Colombian capital last November. The paper emphasised that only a return to textile trade liberalisation will be acceptable at the Geneva talks on a *1982-85 MFA* that are due to start this summer.

The governments that are apparently determined to defy all attempts to divide and rule the textile exporting countries are those of Colombia, Brazil, Hong Kong and India. But the cohesion of the ringleaders, let alone of the rank-and-file less developed countries (LDCs), is fragile.

That Hong Kong and India both depend on textile products as their largest sector of manufactured exports sums up the divergence of interest.

The common denominator of all these textile exporters, whether small and rich or large and poor, has been in the past that they negotiate from weakness.

Crudely speaking, they have no international clout and must accept the package on offer, give or take a few minor details. Basically, that is still the position, but their spines have been stiffened of late by the Indonesian Government's show of strength in dealing with the UK.

The Jakarta authorities declared last year that the MFA restraints being brought into use by their industrialised client nations under the "reasonable departures" system were not what they had understood to be the deal they agreed and they retaliated in kind by holding up *a range of unrelated capital* projects being undertaken by British industrial groups.

While few Third World diplomats believe such a tactic could become widespread, "remember Indonesia" has become a battle cry.

So, when the Brussels Commission finishes straining in the run-up to the April 13-14 Council of Ministers meeting that is to review its MFA negotiating mandate, the chances are that it will produce not a mouse but what most textile-producing LDCs will regard as a monster.

The external relations directorate general, responsible to West German Commissioner Herr Wilhelm Haferkamp, badly needs a victory. In the past 18 months it has achieved little in its efforts to stem Japanese motor car and electronics exports to the EEC. It has also appeared ineffectual in its dealings with the U.S. on a range of issues, the most notable of which is, indeed, man-made textiles

A tough MFA—and the stakes are, after all, textile imports from these producers now running at a yearly 11bn European Units of Account (£5.8bn)—would please most EEC member states.

How the Commission's basic position paper will look is still conjecture, and officials caution that, in any case, it is subject *to revisions by member govern*ments. But what it does appear to aim at is an apparently tautological distinction between linking imports to demand rather than to consumption. *Instead of letting consumption* levels set across-the-board quotas for the LDCs, the EEC will select categories where there is particularly high demand for low-cost textiles and restrain them accordingly.

Furthermore, there is some likelihood that *the* EEC may be tempted to fall back on the moral message of the 1973 MFA *and use "fairness"* as a way of discriminating against richer producers in favour of poorer ones, and so introduce a divide-and-rule effect into the forthcoming Geneva talks.

Sharp decline in growth of global trade

BY BRIJ KHINDARIA IN GENEVA

WORLD TRADE growth slowed considerably last year, and indications are that 1981 will be no better especially if the U.S. and the Common Market continue to protect or subsidise weaker industries, says a preliminary year-end report by the General Agreement on Tariffs and Trade (GATT).

The present preoccupation with Japan's export success in both the U.S. and the EEC could damage not only world trade growth but also world economic growth, especially if each of the two Western groups insists on separately balancing its trade with Japan, the report says.

The volume of world trade rose by just 1 per cent last year, compared with 6 per cent the previous year. In value terms, world trade increased by about 20 per cent, to reach $2,000bn (£905bn), compared with a 25 per cent increase in 1979.

The report, entitled International Trade in *1980* and Present Prospects, says a "particularly ominous development" is the increasing preoccupation of Governments with solving trade disputes bilaterally, instead of taking "a general view of the entire problem." GATT's final report will be published later in the year.

Governments should analyse overall payments' balances, rather than bilateral balances.

The sharp slowdown in the volume of world trade last year reflected a 10 per cent drop in petroleum volumes, compared with *a 3.5 per cent increase in* 1979. Other influences were slower growth of trade in both manufactures and farm goods.

Oil continued to dominate world trade last year, accounting for one-quarter of the value of world exports, up from 11 per cent in 1973. But the volume of oil traded fell below 1973 levels, because of a 15 per cent cut in exports by Third World oil producing nations.

Higher oil prices resulted in a record $80bn current account deficit for industrialised countries last year, up from $36bn in 1979. That happened, *despite a 2 per cent drop in* total import volumes, against an 8 per cent increase in 1979. Industrialised countries' export performance was disappointing with just a 3 per cent increase, compared with 6.5 per cent in 1979.

U.S. bides time on EEC cloth appeal

By Paul Cheeseright in Washington and Giles Merritt in Brussels

U.S. TEXTILE producers have made no response to EEC appeals for more caution in their approach to the European market. EEC concern about the issue was conveyed to the industry by Mr. Bill Brock, President Reagan's special trade representative, following the visit of a European Commission delegation to Washington last month.

There have been no further discussions between Government and industry about their sales in Europe since the original message was conveyed by Mr. Brock, trade officials noted. If the producers *individually* hold back their sales, it will only become apparent later on in the trade statistics, they said.

The EEC Council of Ministers meeting in Brussels today and tomorrow is to review the issue. It will be faced again with the issue of whether to impose restrictions *on U.S. sales. A U.S. delega*tion also will be in Brussels and London this week to discuss the issue.

The EEC has consistently claimed that U.S. producers have an unfair advantage over European manufacturers because regulated gas prices in the U.S. make their feedstocks cheaper. Officials in Washington described this claim as "egregiously exaggerated."

According to a Brussels Commission report, the U.S. price controls on natural gas and feedstocks give American producers of man-made fibres a 25-50 per cent cost advantage. The result has been a strong surge in U.S. textile exports to the EEC, which *have gone* from $587m (£265m) in 1978 to more than $1bn last year.

The Reagan Administration is studying the cost of speeding gas de-regulation, but *any move is expected to meet* sharp opposition in Congress because of its inflationary impact.

Rhys David adds: The Brussels report has already been dismissed by the *British* Textile Confederation as useless. In a statement at the weekend Mr. Russell Smith, BTC president, renewed the industry's demand for positive measures against the U.S. now to be implemented.

W. German car makers predict improvement in overseas sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ALL THREE West German-owned car manufacturers—BMW, Mercedes-Benz and Volkswagen-Audi—expect to improve their export performances this year compared with 1980.

VW-Audi should be able to maintain sales in Germany and increase its penetration in other European markets, says Herr Verner Schmidt, sales and marketing director.

In all, VW-Audi is looking for sales in its home market and 11 major export territories of 1.32m cars and light commercial vehicles this year, up slightly on the 1.317m in 1980.

In the UK, VW-Audi dealers have contracted to take 6,000 more vehicles than the 68,300 sold last year. This would improve the group's market share to 5.5 per cent from 4.51 per cent in 1980 but still leaves total sales below the peak 76,288 for 1979.

The major problem area for VW-Audi is Brazil where local production (no imports are allowed) will be hit by the tight credit squeeze now imposed. Herr Schmidt estimates the Government's measures will cut new car sales by at least 15 per cent.

BMW's export target for 1981 is 200,000 cars against 193,000 last year, according to Herr Hans-Erdmann Schoenbeck, the sales director.

This would push up the export content of BMW's sales from 58 to 60 per cent.

Because demand was so weak in Germany last year, BMW concentrated more on export sales, and they jumped by 18 per cent over the 1979 level.

Mercedes in the U.S. was thrown off-course by the sharp downturn in sales last year and the movement away from large cars. But by the year-end it had recovered and registrations rose from 52,800 to 53,800.

Herr Eberhard Herzog, director in charge of export sales, forecasts a further slight rise in U.S. sales this year.

The dramatic change for Mercedes in the States is that *in 1981 it expects 75 per cent* of its cars sold there to have diesel engines compared with 68 per cent last year.

S. Africa orders Japanese oil rigs

BY QUENTIN PEEL IN JOHANNESBURG

*SOUTH AFRICA has commis*sioned the building of two deep sea oil drilling rigs, at an estimated cost of some R160m (£94m) from an unnamed Japanese yard, to step up its offshore oil exploration programme.

Basic details of the deal were confirmed by Soekor, the South African state-owned exploration agency. However, the company refused to give any details of the supplier, the cost, or the terms of the deal.

The rigs, for delivery in late 1982 or early 1983, would be adapted specially for South African conditions, capable of operating in severe sea conditions at depths below 500 metres. *They had been specially* ordered, through an international drilling contractor, because of the world shortage of offshore drilling units, and escalating hire charges.

Soekor already has two drilling rigs operating offshore, off the west and south coasts, *which are on hire.* However, a third rig which was to have arrived last year has been delayed, prompting the latest move.

In December last year, the Sedco-K rig, operating off the south coast, struck the most promising find of natural gas to date, and the first step-out well on that structure has just been started. However, full assessment of the find is not expected for a year to 18 months.

SHIPPING REPORT

Grain curb boosts freight market

BY OUR SHIPPING CORRESPONDENT

IT IS more than a year now since the U.S. imposed the embargo on grain shipments to the Soviet Union following the invasion of Afghanistan and, far from depressing the freight market, as was once feared, it has done the opposite.

On the information available, the USSR imported just as much grain between July, 1979, and June, 1980, a good 30m tonnes, as is would have done had their been no embargo. Imports in the present year could be running at a similar pace, partly because of the low level of Soviet grain stocks last autumn.

The Platou Report, 1980; recently published by Oslo shipbrokers R. S. Platou, analyses what has been happening to the grain trades and the future outlook. Platou notes that Russia's increased reliance on *Argentinian grain has greatly* increased the distances over which grain is hauled and also resulted in heavy congestion at River Plate loading ports. This has absorbed considerably more ships than similar gain imports from the U.S.

Although bulk carriers are *tending to get bigger. Platou is* pinning its faith on the handy sized bulk carriers as the best suited vessels for the future grain trades.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (US$m)

	Dec. '80	Nov. '80	Oct. '80	Dec. '79
UK	18,753	19,564	19,555	18,472
Belgium	6,429	6,761	6,496	4,097
Netherlands	10,434	10,180	10,068	6,469
Italy	21,543	21,424	20,643	17,294
U.S.	10,134	8,735	7,194	3,807
Japan	21,567	21,257	21,007	16,357
W. Germany	41,452	41,563	41,720	47,348
France	25,338	26,595	26,575	16,100

Source: IMF

UK NEWS

Surcharges predicted on summer holiday packages

BY ARTHUR SANDLES

THE STRENGTH of the dollar and continuing rises in flying costs are likely to produce a rash of package holiday surcharges this summer. These are likely to be particularly noticeable on the North Atlantic, a boom area for British travel abroad.

Thomas Cook, Britain's biggest travel retailer and a major tour operator, this weekend announced a guarantee of its own tour prices—but only until August 1, which means the bulk of the school holiday season is outside the pledge, and only to the Continent.

Cook believes rival operator's Continental surcharges will be from £3 to £8 according to destination. The key factor is the amount of flying involved.

The dramatic rise in the value of the dollar in the early months of this year is causing concern to some companies. North Atlantic holidays are rarely offered with the same price guarantees as the Continental ones and customers could find themselves facing large additional charges.

Tour operators base their costings on the value of sterling on a specific date. For many of them the crucial period affecting the pricing of 1981 holidays was July, 1980, when the pound was moving towards \$2.40. It closed in London on Friday night at \$2.2185.

Continental packages tend to have guarantees which limit surcharges to a specific amount —say £12 a week—or to a percentage—usually 10 per cent. This is not always the case on the North Atlantic.

In recent weeks major charter operators, such as Laker and Jetsave, have been using a variety of marketing ploys to fill seats and get in cash. Money *thus secured can be deposited in* London or New York and earn interest until the holiday

The problem over surcharging is another indication of what is likely to be a complex year in the holiday business. While there is still considerable surplus capacity among airlines, the rush for peak time holidays could mean a shortage in the high summer.

Managers keep more pay than in Europe

By Arnold Kransdorff

MANAGERS IN Britain keep a higher proportion of their gross pay than their counterparts in many Continental countries, according to a salary survey of senior management in ten European countries.

The survey, by Management Centre Europe, covers 1980 and thus takes in the income tax concessions for top earners

A married man with two children earning the equivalent of \$80,000, which is the median annual for a chief executive in the UK, takes away 57 per cent of his gross reward after tax and social security payments. The comparable percentage for Holland is 47, Austria 49, Belgium 50 and Ireland 52.

Nonetheless, the UK executive on \$80,000 still takes home a smaller percentage of *his gross pay than his counterparts* in France (73 per cent), Spain (79 per cent), Sweden (69 per cent), and West Germany (58 per cent).

Except in Italy, the survey shows top executives in Europe all received salary increases in excess of domestic inflation during 1980.

The survey shows that chief executives in the UK still earn substantially less than their Continental colleagues.

Marketing rules, Page 15

S. G. Warburg in link with Aetna to manage U.S. investments

BY CHRISTINE MOIR

S. G. WARBURG, a leading London merchant bank, is to team up with Aetna Life and Casualty Company, the largest non-mutual insurance company in the U.S., to provide investment management for American pension funds and growing international portfolios.

Warburg manages investments for many of the UK's largest pension funds. In the past four years it has begun — through its U.S. marketing subsidiary— to manage \$200m (£90m) which ten U.S. pension funds decided to invest internationally. Management is carried out in London.

It proposes to team up with Aetna's marketing and sales network in the hope of expanding its international funds under management.

Aetna has assets of \$36bn and manages pension fund portfolios worth more than \$3bn.

The U.S. pensions industry is estimated to control funds of more than \$500bn. Many larger funds have recently begun to invest in international securities *as a way of diversifying their* traditionally U.S.-only portfolios.

Morgan Grenfell, another merchant bank, has about \$120m of such funds under management. Ivory & Sime, the Scottish investment trust and management group, has about \$100m. Other UK managers include Kleinwort Benson, Rothschild and GT Capital Management.

They face stiff competition from leading U.S. banks, which manage most American pensions business.

Earlier this month Chase Manhattan, the third largest U.S. bank, transferred \$1bn of international institutional funds to London. Morgan Guaranty manages \$1.5bn from its London offices.

Mr. Martin Harrison, vice-president of Morgan's London operation, said recently that \$900m of the total was money managed for U.S. pension funds.

Labour call for Scottish assembly

THE LABOUR Party in Scotland yesterday overwhelmingly backed a call urging the next Labour government to set up a Scottish assembly with tax raising powers "as a matter of priority."

The call came at the annual conference in Perth of the Labour Party in Scotland. Mr. Michael Foot, the Labour leader, has already committed the party to trying once again to set up a Scottish assembly when it returns to power.

Hotels campaign

THE HOTEL and Catering Industry Training Board is asking all the local hotel and catering associations in the UK to help in its campaign to cut down on the high failure rate of new businesses in the sector. Half the 25,000 hotel and catering ventures set up annually fail within two years, it is estimated.

NHS agency urged

AN EXPERIMENTAL development agency for the National Health Service should be set up to examine alternative ways of developing services and solving problems, a Royal Institute of Public Administration working group report urges today.

Fairey profit below £4m forecast

FINANCIAL TIMES REPORTER

LAST YEAR'S profits of Fairey Holdings, the engineering group acquired by S. Pearson and Son last June from the National Enterprise Board, were substantially below the forecast £4m on which the £22 sale price was based.

Mr. R. H. Lamb, chairman of Pearson's Doulton subsidiary, which operates Fairey, said yesterday that the company might even show a loss for 1980.

He doubted if Doulton could claim against the NEB and its advisers on the forecast, made last June.

The Fairey accounts were not yet completed. "Until one has seen a comparison of the result with the forecast we *originally got, I think it is impossible* to see *how* much was due to the recession and other factors that have hit industry as a whole, and how much might be *for* other reasons."

Fairey was a company depending on large orders, and timing of these, particularly in the nuclear field, had been "a bit delayed."

Mr. Lamb said that whatever the 1980 outcome Fairey's operations were sound.

Doulton was changing Fairey's accounting practice so as to write off more overhead and direct costs on contracts when they occurred.

Rift over currency for gold futures trade

BY JOHN EDWARDS, COMMODITIES EDITOR

A SPECIAL meeting is to be *held at the Guildhall, London,* on March 23 to debate whether the proposed London gold futures market should trade in dollars or sterling.

A working party formed by the London Metal Exchange and bullion brokers to set up the market recommended in a preliminary report last month that contracts should be in sterling. But this has raised so many protests that it has been decided to put the issue to all the potential initial members and ascertain what the majority favours.

It is understood that a two-thirds majority of the working party voted for a sterling contract, partly because of fears that exchange controls might be re-imposed by a future British Government.

However, many potential supporters of the market are not convinced. They have pointed out strongly that gold is universally traded in U.S. dollars, including the daily London bullion market "fixings."

Members of the London Metal Exchange feel that the working party has been unduly influenced by the bullion brokers, who, it is claimed, do not want any London futures prices to be confused with the daily fixings.

It is feared the row over this issue may delay introduction of gold futures trading in London even further. The original target date for launching the market in April/May this year is no longer practical.

Television contracts in balance

By Arthur Sandles

TRIDENT TELEVISION will see officials and members of the Independent Broadcasting Authority this week in an attempt to settle finally the dispute between the two over the future of the Trident subsidiaries Yorkshire Television and Tyne-Tees Television.

If Trident toes the IBA line there should be a fairly early peace announcement. If not, the Authority, at a full meeting later in the week, could "consider afresh the offer of the contracts" for the two areas.

Trident's two offshoots won contracts in the New Year franchise allocations to start on January 1 next year on condition that the parent company shed control of them. It is understood that the IBA's *interpretation of this was that* Trident's holding became very small ("minuscule" was a word used by one IBA official) or disappear.

The company was given till the end of last month to produce a scheme. It met this deadline with 48 hours to go and after much hard negotiation.

IBA refused to accept the proposals and demanded further concessions. This second round of talks has proved equally tough.

Waiting in the Yorkshire wings is the worker-supported consortium headed by Mr. Austin Mitchell, journalist and Labour MP for Grimsby.

In reaching its New Year decisions the IBA showed no great enthusiasm for the worker bid.

Perkins to lay off 800 workers

PERKINS Diesel Engine Company at Peterborough, the world's biggest manufacturer of diesel engines, is laying off 800 workers this week because of a slump in overseas sales.

Analysts believe measures will delay economic recovery

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE BUDGET measures will depress consumer spending and hold back the recovery *in the UK economy*, according to an analysis by Economic Models, part of the Data Resources forecasting group.

The forecasters say tax increases in the Budget will mean the volume of consumer spending will be 2 per cent lower this year than last. Before the Budget, a 1.3 per cent decline had been expected.

The main reason is the expected fall in average living standards because personal income tax allowances have not been raised in line with inflation and because price rises are 1 per cent higher than previously assumed.

This year the fall in consumer spending should be offset by a higher level of Government spending than expected and by a drop in imports, particularly of manufactured products.

Once the volume of public spending starts to drop, the decline in consumer spending should affect real Gross Domestic Product. This is now expected to rise by 2 per cent next year compared with a pre-Budget projection of a 2.5 per cent increase.

This analysis is broadly in line with the conclusions of *other commercial* and City forecasters

Several predict the inflation rate may start to rise again from mid-1982. Economic Models estimates that the 12-month rate of retail price inflation will rise from 9.5 per cent at the end of 1982 to 11.75 per cent by the end of 1983.

Stockbrokers Phillips and Drew expect the 12-month rate to rise from a low point of 9.5 per cent in mid-1982 to 10.5 per cent by the end of the year,

Road haulage industry fears more bankruptcies

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE BUDGET increases in taxes on road users will be the "direct cause" of an increased number of bankruptcies in the road haulage industry, the Road Haulage Association said at the weekend.

On Friday, Mr. George Newman, association director-general, told MPs the Budget would "dramatically reduce" the haulage industry's ability to provide services for industry when the recession ended.

Last year, the association estimates, about 2,000 of Britain's 46,000 haulage companies stopped trading.

Demand by manufacturing industry and commerce for road transport services fell by 10 per cent in 1980, measured in tonne-miles, mainly because of rapid de-stocking by factories as consumer demand fell away.

The haulage industry fears the continuing recession will delay the traditional early spring re-stocking of factories. Companies usually re-stock now to reduce their tax libilities before the end of the financial year, by using profits to pay for stock.

But profits and consumer demand are down so any *re-stocking now will probably* be limited.

Job losses 'big boost for engineering sector'

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

A MORE efficient mechanical engineering industry will emerge from the current recession, according to a report by stockbrokers Laing and Cruickshank, which is more optimistic about the industry than most.

The shedding of labour, calculated to be nearly 14 per cent *of all jobs in the industry in* the past 15 months, has led to a "remarkable improvement in the basic cost structure of the industry." the report says. Pay settlements are running at only 6-7 per cent, which means that the actual wage bills of companies are falling.

Engineering production has fallen 20 per cent in the past year and the profits *downturn* has been worse than at any time since the early 1930s. The key to the recovery in production, says the report, lies in the end to de-stocking, which the authors predict will occur about May.

This, they say, will be sufficient to lift the level of sales by 4-5 per cent and production by 8-9 per cent above the level of the last quarter of last year.

The recovery in profit margins will become apparent in 1982 *as the greater efficiency* of the industry makes its mark.

'Investment must lead way out of recession'

BY MAURICE SAMUELSON

THE LONDON CHAMBER of *Commerce and Industry* yesterday accused the Government of having failed to indicate where the "hard road" of its Budget was heading.

It called for the Government to confirm that the £6bn being taken out of the economy would not be used for revenue expenditure but would lead recovery by major capital expenditure on vital infrastructure.

The chamber also demanded "immediate action" to reduce public revenue expenditure. "Not only must current wage pressure in the Civil Service be totally resisted. but there must also be substantial cuts in manpower and service costs in the *public sector.*"

Recovery from the recession had to be investment-led and not consumption-led to avoid renewed inflation at the moment of success.

While welcoming the Chancellor's acceptance of its submissions on stock relief, aid for small businesses and some easing of interest rates, the chamber said the higher tax on commercial fuel would hit both industry and the consumer in the shape of damaging price increases.

The chamber also voiced "dismay" at the Chancellor's failure to alleviate capital gains tax.

Budget may wipe out consumer confidence rise

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SHARP rise in consumer confidence in recent weeks is likely to have been wiped out by last week's tough Budget, which hit consumers' disposable income.

The latest Financial Times Survey of Consumer Confidence, published today, shows confidence at its highest level since the Chancellor's first Budget in 1979. But work on the survey was carried out before the Budget and, on past performance, signs of a recovery in confidence have probably been more than eliminated by the *Budget.*

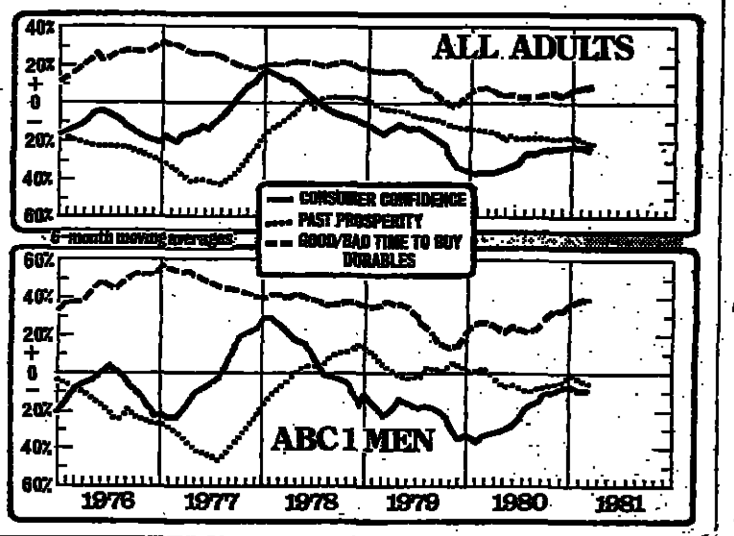
The Chancellor's first Budget, which increased the rate of Value Added Tax to 15 per cent, led to a drop of 38 percentage points in the index of consumer confidence — the highest fall in a single month in the 10-year history of the index.

The FT survey for March found that 21 per cent expected conditions to improve while 38 per cent expected them to worsen. This gave an index of minus 17 per cent, eight percentage points higher than the minus 25 per cent recorded *last month.*

Surprisingly the survey shows that the improvement in the survey came from consumers being less concerned about unemployment than before. Among the pessimistic consumers, unemployment was given as a reason this month by only 39 per cent, compared with 51 per cent in the previous two months. Pessimistic consumers were also less worried about rising prices.

The general pre-Budget feeling of buoyancy among consumers was also reflected in the *question about buying consumer* durables. The survey revealed that 46 per cent thought it a good time to buy, while 35 per cent thought it a bad time, giving an index of plus 11 per cent. Last month the index stood at plus 12 per cent.

The March survey also showed a small rise in the proportion of consumers feeling better off than a year ago. Some 21 per cent felt better off, while 45 per cent felt worse off, giving an index of minus 24 per cent, compared with minus 25 per cent last month.



Builders' pressure

THE NATIONAL Federation of Building Trades Employers is making a last ditch attempt to delay Government plans to opt out of the operating costs of the Construction Industry Training Board. *Alternatively,* it wants the industry to have control over the board, and to have the board's scope widened and its catchment area increased.

BA loses contract

BRITISH AIRWAYS has lost a £1½m contract to ferry workers by helicopter to British Petroleum's oil platforms in the Magnus field in the North Sea. BP said yesterday that the contract had gone to British Caledonian because its tender for the daily round trip was more competitive.

Fewer tourists

THE NUMBER of visitors to England's top 2,000 tourist attractions was 4 per cent down in 1979 compared with a year before, according to the English Tourist Board's latest statistics. The fall was blamed on the petrol crisis of that year. The board expects that figures for 1980 will be roughly the same as 1979.

Critical year

THIS WILL be a critical year for the agricultural machinery industry, says ICC Business Ratios, market analysts, in its latest report published today. The report says few of the large manufacturers in the industry are expected to "return to profitability" this year, and the main hope comes from smaller companies.

Old age problems

AGE CONCERN, the charity, says the Government has failed to take seriously the growing problem of Britain's ageing population, and has been slow to respond to United Nations initiatives on a conference on the problems of old-age planned next year.

Seminar focuses on protecting industry in nuclear attack

BY DAVID FISHLOCK, SCIENCE EDITOR

THE HOME Office is advising industry what it can do to protect essential services and employees from nuclear attack.

Two senior Home Office scientists will speak in London this week at a seminar organised by the Nuclear Protection Advisory Group, at the Royal Institute of British Architects.

The group, a privately funded organisation which carries out research into civil defence, says the Central Electricity Generating Board, ICI, Shell, Unilever and the Co-op are among companies expected to attend.

It coincides with the publication in the U.S. of a book alleging that power stations, overhead transmission lines, refineries and pipelines are all highly vulnerable to nuclear weapons.

The book accuses U.S. industry of failing to protect its investments against the electromagnetic pulse (EMP), which can easily upset electronic controls and communications and failing to "harden" military electronics against EMP from nuclear weapons.

The official Home Office view is that, while electronic systems which have not been "hardened" will be vulnerable to EMP, the threat is being exaggerated.

The threat is usually presented as the explosion of a nuclear weapon outside the earth's atmosphere, 100 miles or more above the target. At this range there would be virtually no damage from heat or blast, and no radio-active fall-out. But EMP could still knock out a nation's civil electronics and communications.

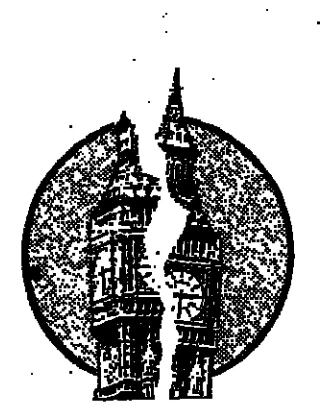
The Home Office says such an attack is not credible in military terms for Britain because it would also blind the early warning radar. If this happened, Britain, believing in the principle of nuclear deterrents, would automatically assume the worst and unleash its own nuclear weapons at the aggressor.

The CEGB claims to be one of the best-informed British organisations on EMP outside the defence industries, because of its vulnerability to a natural kind of EMP — lightning strikes.

The 5,000 kilometres of 400-Kilovolt overhead cables in the national grid are already highly protected against lightning.

Other vulnerable parts of the system, such as nuclear power stations and control centres for the grid itself, are heavily encased in concrete, and thus insulated against EMP.

Where Social Democrats are as rare as Penny Blacks



POLITICAL REALIGNMENT

By Ray Perman

SOCIAL DEMOCRATS north of the border? They are as rare as Penny Blacks, according to Mrs. Helen Liddell, the Labour Party's Scottish Secretary.

She does not say what value this places on Mr. Robert MacLennan, who has represented Caithness and Sutherland at Westminster since 1966. He is the only Scottish MP to resign the Labour whip and throw in his lot with the Council for Social Democracy.

Nonetheless, it is true that the embryo party has made little impact in Scotland, where Labour Party loyalty runs deep.

Party Right-wingers have preferred to stay and fight from within. Mr. George Robertson, MP for Hamilton, and the Right's most articulate spokesman in Scotland, believes there will be no further defections, no matter what disappointments the Party's annual conference in October may bring.

"The further north you get, the stronger the old loyalties become. Therefore, our responsibilities are to make sure Labour represents what the people want," he says.

For those who think like Mr. Robertson, political life is a constant struggle against gains of the Left wing. The victories may be small, but may exist.

At the Scottish party's weekend conference at Perth, a Left-wing resolution which would have extended party power over local councillors was defeated. The Left also failed to get trade union support for a motion which would have pushed party policy a long way on support for the Palestine Liberation Organisation.

Mr. MacLennan believes these are Pyrrhic victories. The Left's resurgence in the Scottish Labour Party will force more and more people to his view that progress against it is possible only outside the party.

When he announced his decision to leave, he was followed by a handful of constituency activists, including Mr. Rod Houston, the secretary.

He says, however, he has had hundreds of letters of support from Scotland. At a recent meeting at Edinburgh University, there was an audience of several hundred, and the immediate formation of a Social Democratic Club.

Unlike some fellow defectors, Mr. MacLennan was not under pressure from his constituency Labour Party. This still regards him as a first-class representative.

"We have stressed all along that he was not forced out of the party," says Mr. Alan Byron, one of Caithness and Sutherland's delegates to the Perth conference.

The MP has rejected a call from the constituency chairman to resign and fight an election. Some observers believe his high personal standing in the northern Highlands could enable him to win back the seat, which was Liberal until he took it 15 years ago.

Mr. MacLennan says: "We (the 12 Social Democratic MPs) are intending to change the face of British politics. And we will make our stand together at the next General Election.

"Although it might be quite nice to call the Labour Party's bluff and fight a by-election now, the fact is I was elected for the life of this Parliament."

The Social Democrats know they have a long fight ahead if they are to make any impression on Labour's dominance of the Scottish political scene.

A recent opinion poll by Market Opinion Research International for the Scotsman showed that only 5 per cent of the electorate would vote for a Social Democratic candidate. The figure would rise to 19 per cent if there were no Liberal standing, but even that is a long way short of poll results in England.

Scotland has a tradition of appearing to encourage new radical parties in mid-term, when voters are not faced with real choices. Neither the Liberals nor the Scottish Nationalists, however, have been able to make much permanent headway.

Japan blamed for British jobs loss

BY ALAN PIKE

JAPAN IS exporting unemployment as well as goods to Britain, Sir Raymond Pennock, president of the Confederation of British Industry, said yesterday in the latest issue of CBI News.

Sir Raymond said he had put this argument during recent trade talks in Tokyo. He had told Japanese industrialists the strategy of concentrating their export drive on a limited number of sectors and countries put jobs at risk in "target" markets like the United Kingdom.

"I went determined to make sure they understood that our growing level of unemployment makes some swift action imperative," Sir Raymond said.

Japanese achievements over the past two years were impressive—a pay round of 5-7 per cent, inflation at 7 per cent, unemployment at only 2 per cent and a growth rate of 5 per cent.

"The only thing that worried me about these figures was that they were being achieved at the cost of our employment level. I pointed out that every Japanese car imported to the EEC costs a European car worker three months work."

Sir Raymond said he had explained to Japanese industrialists that Britain was making intensive efforts to become more competitive.

"We must keep up pressure for progress towards balance, and monitor it closely. And we must play our part in such progress by vigorous steps to get round all the obstacles to greater UK sales in Japan, and in all the other ways there are to work towards a more equal industrial and commercial exchange with Japan."

MPs try to reverse brewery closure

BY LORNE BARLING

MIDLANDS MPs will today meet the management of Ansells Brewery in Birmingham to try to reverse the decision to close it with the loss of 600 jobs.

The MPs, led by Mr. Julian Silverman, (Lab., Erdington), are unlikely to change the company's decision

The brewery, at Aston Cross, has not operated since mid-January, initially due to a strike over short-time working and overtime pay. Hourly-paid workers were dismissed on January 30 and Ansells and its parent company, Allied Breweries, agreed on the closure early last month.

Mr. Silverman said the loss of so many jobs in Birmingham was a serious matter. "The company has insisted it will not change its mind, but we want to get the parties involved round the negotiating table before it is too late," he said.

Two previous approaches, one by MPs to Allied Breweries, and another last week by an all-party group of Birmingham city councillors, have so far had no effect.

Sir Anthony Holden-Brown, vice-chairman of Allied Breweries, said: "It must be made crystal clear that it is closed and will not be reopened under any circumstances."

Although Ansells has been willing to hear the views of councillors and MPs, it warned that such discussions could give false hopes

"The most we can do is offer the 400 men on strike at our two distribution depots their jobs back if they return to work, and redundancy payments to the 600 who worked at the brewery."

Overseas sterling bonds in default total £64m

BY TIM DICKSON

LAST YEAR'S controversial debt settlement with Zimbabwe has reduced the capital value of overseas sterling bonds in default to about £64m, the Council of the Corporation of Foreign Bondholders says in its annual report.

Most of this—some £61m—is accounted for by outstanding Imperialist Chinese Bonds, with smaller amounts owed by the German Democratic Republic and Bulgaria. The report says there are also UK holdings of Bulgarian bonds issued in gold francs and Tsarist Bonds issued in sterling and other currencies, estimated years ago to amount to 20m gold francs and £50m respectively.

The principal object of the council is to protect the interests of holders of sterling bonds issued in the UK on behalf of overseas governments, states and municipalities.

In particular, protracted negotiations with the new Zimbabwe Government led in September to a settlement for holders of the 12 Southern Rhodesia sterling bonds issued before Mr. Ian Smith's Unilateral Declaration of Independence in 1965.

None of the bonds was serviced in the subsequent 15 years—eight have already matured, while the remaining four have yet to reach their redemption dates.

When the settlement is fully implemented, in 1992, about £120m will have been remitted by Zimbabwe to the UK.

The settlement involves a complicated mixture of cash and the issue of an annuity.

According to the report, acceptances had been received in respect of over 72 per cent of matured stocks and over 69 per cent of current stocks by the end of 1980. Mr. Michael Gough, director of the council, said some holders had been advised to delay acceptance because of their tax position.

As a result of the Zimbabwe settlement, the outstanding capital value of loans being serviced under debt settlements negotiated by the council now stands at £111m. Interest and amortisation remittances helped the UK balance of payments during 1980 by about £29.5m.

The council reports no material changes in the Chinese position last year. The Chinese Government "has reiterated that claims against previous Chinese regimes are not its responsibility.

Prima facie this blanket position would appear to include the sterling bonds in default. It is understood that HM Government has made it clear to the Chinese authorities that it cannot accept this position."

Parliamentary diary

TODAY

Commons—Conclusion of Budget debate. Motions relating to the Town and Country Planning (National Parks) and General Development (Amendment) Orders.

Lords—House of Commons Members' Fund and Parliamentary Pensions Bill, committee stage. Wildlife and Countryside Bill, report stage. European Assembly Elections Bill, third reading. Trees (Replanting and Replacement) Bill, third reading.

Select Committee—Home Affairs. Subject: Administration of the Prison Service. Witness: Mr. William Whitelaw, Home Secretary. (Room 8, 4.30 pm).

TOMORROW

Commons—Proceedings on the Consolidated Fund (No 2) Bill.

Lords—Greater London Council (General Powers) (No 2) Bill, second reading. British Railways Bill, second reading. Companies (No 2) Bill, committee stage.

Select Committees—Public Accounts. Subject: Staff/student ratios; Science Research Council—control of expenditure. Witnesses: Department of Education and Science; University Grants Committee; Science Research Council. (Room 16, 4 pm). Employment. Subject: Homeworking. Witnesses: Manpower Services Commission; Mr. Frank White, MP. (Room 8, 3.45 pm). Procedure (Supply). Subject: Supply Procedure. Witnesses: Mr. Edward du Cann, MP. (Room 15, 4.15 pm).

Foreign Affairs. Overseas Development Sub-Committee. Subject: The Brandt report: Emergency Programme. Witnesses: Mr. Douglas Hurd, Minister of State, Foreign Office. (Room 6, 4.45 pm). Parliamentary Commissioner for Administration. Subject: Annual report of the Parliamentary Commissioner. Witness: Mr. C. M. Clothier, Parliamentary Commissioner. (Room 5, 5 pm).

WEDNESDAY

Commons—Debate until about 7 pm on the economic problems of Northern Ireland. Motions on the Prevention of Terrorism (Temporary Provisions) Act 1976 (Continuance) Order, on the Redundant Mineworkers' and Concessionary Coal (Payments Scheme) Order, and the Mineworkers' Pension Scheme (Limit on Contributions) (Amendment) Order.

Lords—Debate on the effects of expenditure cuts and increased fees on the quality and availability of the education service.

Select Committees—Industry and Trade. Subject: Effects of British Steel Corporation's corporate plan. Witnesses: Mr. Ian MacGregor and other British Steel representatives. Foreign Affairs. Subject: Gibraltar: The situation in Gibraltar and UK relations with Spain. Witness: Lord Bethell. (Room 15, 11 am). Welsh Affairs. Subject: Broadcasting in the Welsh language and the implications for Welsh and non-Welsh speaking viewers and listeners. Witnesses: Welsh Arts Council (11.15 am); Mr. William Whitelaw, Home Secretary, and Mr. Wyn Roberts, Welsh Under-Secretary. (Room 6, 4 pm). Public Accounts. Subject: Shortcomings in maintenance of inventories, stocktaking and security exhibits (British Museum, Science Museum and the Victoria and Albert Museum). Witnesses: Office of Arts and Libraries, British Museum. (Room 16, 4 pm.

Treasury and Civil Service. Subject: The Budget and Government's expenditure plans 1981-82 — 1983-84. Witnesses: Treasury officials. (Room 15, 4.15 pm). Employment. Subject: The work of the Department of Employment Group. Witness: Mr. James Prior, Employment Secretary (Room 10, 4.30 pm). Social Services. Subject: Medical Education. Witnesses: Medical Woman's Federation. (Room 21, 4.30 pm).

THURSDAY

Commons—Iron and Steel Bill, second reading. Motion on the Merseyside Development Corporation (Area and Constitution) Order.

Lords—Water Bill, committee stage. Companies Bill, committee stage.

Select Committee—Agriculture. Subject: Animal welfare in poultry, pig and veal calf production. Witnesses: Volac; National Association of Pig Breeders. (Room 16, 11 am).

FRIDAY

Commons—Private Members' motions.

Printers' union vote brings merger near

BY JOHN LLOYD, LABOUR CORRESPONDENT

AN AMALGAMATION between the two print craft unions is almost certain, following a large vote in favour at a special delegate conference at the weekend.

Delegates from the Society of Lithographic Artists, Designers, Engravers and Process Workers (SLADE) voted 66-13 in favour of an amalgamation with the main craft union, the National Graphical Association (NGA).

The issue now goes out to ballot, and a result from SLADE's 25,000 members is expected in July or August. SLADE members voted against a merger two years ago but union officials are confident that the delegate vote represents members' feelings.

The NGA will also hold a ballot. Its result is expected to repeat the large majority in favour obtained two years ago.

The new union, which will have a membership of 136,000, will take the larger union's name, and is expected to come into existence on March 29, 1982. Mr. John Jackson, SLADE's general secretary, who will become assistant general secretary of the new union, said yesterday he was "very pleased" with the result of the conference.

Rationalisation of the print union structure was needed in order to meet competition from abroad. "We are really talking about the survival of the British printing industry," Mr. Jackson said.

The move will assist the financial position of the NGA, which is under pressure because of the relatively high level of unemployment benefit it is paying.

Further amalgamations in the print industry involving the two general unions, SOGAT and NATSOPA, are being mooted but are still far from certain. There is some doubt about whether the smaller union, NATSOPA, sees more advantage in a merger with SOGAT or with the NGA.

● Print union officials today resume urgent talks with Mr. Robert Maxwell, the new chief executive of BPC, on manning cuts in the corporation.

It is expected that the main item on the agenda will be the future of the Purnell Division, whose main plant at Paulton, near Bristol, employs nearly 3,000 workers.

Officials fear that lithographic activities at Purnell may end with a considerable loss of jobs.

The Purnell plant is second in size only to Sun Printers, where a 21 per cent reduction in a staff of over 3,000 was agreed last week. Mr. Maxwell has asked his managers and the print unions to agree on manning cuts by Wednesday.

The three-month-old occupation by 65 journalists at BPC's publishing division ended last week when the company agreed to revoke their dismissals, made last November in a dispute over redundancies.

Water offer decision today

By Our Labour Correspondent

UNION OFFICIALS representing the water industry's 32,000 manual workers meet today to decide on the National Water Council's 12.3 per cent pay offer.

Voting in the three largest unions has been finely balanced. Only the Farmworkers' Union, with less than 1,000 members in the industry, has been firmly in favour.

The Transport and General Workers' Union awaits final voting from its large Southern region. This is expected to be in favour by the narrowest of margins. Other regions are thought to have voted against, equally narrowly.

The two large unions—the General and Municipal Workers' Union and the National Union of Public Employees—are also close. NUPE's executive discussed the issue on Saturday, but refused to comment.

It is thought likely the decision today will be for acceptance because of the narrowness of the margin, and national officials' recommendation to accept the offer—the third made by the council.

Import ban on French cars 'will go ahead'

BY OUR LABOUR CORRESPONDENT

A BAN by dockers and drivers on imports of Peugeot and Citroën cars from France will operate as soon as it becomes clear that pressure being mounted to keep open Talbot's Linwood plant on Clydeside has failed.

Mr. Alex Kitson, deputy general secretary of the Transport and General Workers' Union, told the Scottish Labour Party conference in Perth this weekend that the ban approved by the TGWU executive, would be carried out "to the letter."

This follows the failure of senior TGWU officials last week to persuade Mr. George Turnbull, managing director of Talbot UK, to join with them in seeking financial aid from the Government to keep the plant open.

Peugeot SA, which owns Talbot UK, said last month that it would close Linwood at the end of May, with the loss of about 4,500 jobs. However, unions, MPs and local authorities in the West of Scotland are continuing the campaign against the closure.

Last week, the Linwood shop stewards' committee produced figures which, they claimed, showed that the plant could have made a profit of £8m-£12m in the present financial year, rather than the attributed loss of £20m.

Mr. Kitson told the Scottish Labour Party conference that the fight to save the Linwood plant might only be the first in a series of battles in the British motor industry.

The Scottish Labour Party conference passed a motion condemning the Linwood closure and demanding that the company accounts be opened to scrutiny.

Mersey dockers reject improved severance pay

FINANCIAL TIMES REPORTER

DOCKERS on the Mersey have rejected the latest improved severance terms of £16,000 for men with 20 years' service taking voluntary redundancy.

The Mersey Docks and Harbour Company seeks 1,000 voluntary redundancies from its 3,000 dock labour force in the next two months "as a matter of extreme urgency."

It says that unless they are achieved the port could go bankrupt.

The men voted at a mass meeting in Liverpool Boxing Stadium to support the Transport and General Workers' Union recommendation that the increased Government offer of a minimum of £5,500 be made to men in all ports. It is restricted to Mersey and Port of London dockers.

The decision came as no surprise on the waterfront, with unemployment on Merseyside at 13.8 per cent and few jobs on offer.

'Stay-open' steel picket

REDUNDANT STEELMEN at the weekend began picketing the privately-owned Duport Steelworks, Llanelli, South Wales, due for closure at the end of the month. The men's aim is to ensure that equipment is not dismantled and removed.

About 1,700 have been made redundant. The company blames competition from the British Steel Corporation for the closure. BSC will take over parts of the Duport operation in the Midlands.

About 500 workers from Duports will lobby MPs at Westminster tomorrow in protest at lack of Government action.

INSURANCE

Bitter protest over plan to tax sick pay scheme

BY ERIC SHORT

THE GOVERNMENT'S clampdown on fringe benefits this year is not confined to free petrol and travel. It is proposing to end the tax advantages of certain insured sick pay schemes, though Sir. Geoffrey Howe did not refer to this subject in his Budget speech.

However, the Revenue slipped into the so called Red Book—the Financial Statement and Budget Report 1981-82—a single sentence that, from April 1982, payments under these schemes would be subject to tax.

Since no one noticed this insertion on Budget day, comment on the proposal has been muted. But once Crown Life, a leading insurance company in this field, discovered the proposed change it reacted strongly and within 24 hours Mr. Alan Duggin, its chief executive, had written to the Chancellor protesting bitterly at this move.

These insurance sick pay schemes offer employers the opportunity to pay employees during sickness on a tax efficient basis. The essence of the "trustee" seheme is that the employer sets up a trust, to which he pays the cost of sickness benefits through the life company. The trust pays the sick employee.

The benefits to the employer are two-fold.

First, the payments by the trust are not regarded as emoluments under present legislation so are tax free. Secondly, the employee is not officially on the payroll while sick so neither he nor the employer has to pay National Insurance contributions.

Under this scheme the employer needs only to make up the employee's take-home pay on a net basis, besides saving on NI contribution.

If the employer makes up the employee's earnings direct, he has to pay gross salary on which the employee is taxed. Because the employee remains on the payroll, he has to pay NI contributions. His costs could double by paying direct.

With a massive rise in contributions starting in three weeks, and the Chancellor's continued refusal to remove the surcharge, NI contributions are indeed a heavy burden.

The Revenue proposal will treat such scheme payments as emoluments to employees subject to tax under PAYE. In this case, presumably NI contributions would have to be paid, since the employee is considered employed by someone.

The Department of Health and Social Security is not certain on this point and is studying the position.

The feature of these schemes is that they rely on an anomaly in the tax system and the Revenue proposal as it stands is simply correcting this. As such one can question the opposition to the proposal.

But this anomaly has been in existence for many years and the Revenue has taken no action, although well aware of the position. These schemes have been tacitly approved by the Revenue. As such over 10,000 companies have arranged schemes, many in the past few years, and there are more in the pipeline.

These schemes offered employers an opportunity to support their employees while sick without imposing too great a financial strain during a period while the employee is non-productive.

In many cases, provision of sick pay is in the contract of employment and has been agreed in the negotiations between employer and trade unions.

Mr. Tim Mitchell, of Godwins, a leading firm of employee benefit consultants, said his company has always pointed out that the glorious edifice of trustee sick pay schemes rested on a foundation of sand, relying as it did on a tax anomaly.

Other consultants have assumed that they had tacit Revenue approval since it had taken no action, and advised clients to proceed.

However, the proposal is going to hit employer/employee relations.

The letter from Crown Life points out that to replace trustee schemes by keeping employees on the payroll would add between 1 and 2½ per cent to salary costs. This comes at a time when employers are under cost pressures and Crown Life points out that this proposal is not consistent with Government policy of helping businesses.

Secondly, the Government has already postponed until the autumn its sick pay proposals to make employers take over from the Social Security system the payment of sickness benefit in the early weeks of sickness. Until the final version of the scheme is agreed, it is going to be difficult for employers to unscramble schemes.

The Confederation of British Industry is studying the proposals, but is not yet prepared to comment. It has publicly supported bringing State sickness payments into the tax system, so it is awkward to ask for private sick payments to be excluded.

But it would be reasonable to ask for implementation of this latest proposal to be delayed until the situation is clear. Employers need time to make the necessary rearrangements. This would mean renegotiating agreements with the trade unions.

A strong case can be made for waiving NI contributions when an employee is sick. These contributions are effectively a payroll tax. Why should employers be penalised for being generous in supporting employees during sickness?

If employers adopt a hard hearted attitude and lay off the employee when sick, the employee has to struggle on inadequate State benefits, while the employer does not pay NI contributions.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Money machines on the shop floor

NCR DIRECTOR responsible for financial systems Mr. Sean Dixon-Child reviewing growth in public financial terminal field last week told the Financial Times that his company was in detailed discussion with "a large UK company" with a view to the installation of automatic teller machines (ATMs) for the convenience of the workforce.

The move is not unexpected in view of the resistance of about half the UK working population to having a bank account (only 1 per cent of working people are paid by cash in the U.S., 5 per cent in West Germany).

The idea would be to issue the workforce with cards that would enable wages (or part thereof) to be withdrawn as cash virtually on the shop floor.

But Dixon-Child admits that the extent to which the clearing banks would become involved is "not yet clear." The installation might be completely in-house, supplied and maintained by a firm such as NCR.

Alternatively, one or more clearing banks might also install ATMs with a view to *serving existing customers and* perhaps even winning some new ones from the ranks of the "great unbanked."

According to NCR, by the middle of the decade 90 per cent of all personal cash withdrawals will be from ATMs. The company will of course, be in stiff competition with such companies as IBM, Burroughs, Chubb and, as of a few weeks ago, Philips with its offering of the American Diebold machine. NCR claims to have a world lead with 7,000 installations of which 1,600 are installed or on order in the UK.

These machines, originally designed basically as cash dispensers to combat reduced opening hours of the banks, nowadays not only allow withdrawal of banknotes but also permit deposits to be made, *statements to be printed out,* balances to be checked and transfers to be made between accounts—all by observing instructions on a small screen and pressing some buttons. The ATM can be "through the wall" of the bank and used from the street, or installed within premises.

Although such machines cost *about £20,000, NCR* believes that of the estimated cost of £30 per annum to pay employees, £25 could be saved with "shop floor" tellers.

Pilot installations have also taken place of ATMs in retail stores but here the question of who is to pay for the equipment becomes more debatable. Although there is added convenience for the store's customers, the extent of the benefit to store owner and banker is not easy to quantify and it seems inevitable that the banks will have to pay for such *installations; the store owner* might even argue that he is losing counter space.

In point-of-sale and its ultimate *development, electronic* funds transfer however, NCR reports some areas of progress. In the next few weeks Bentalls of Kingston will be sending sales data collected from on-line point of sale terminals on tape to Barclaycard on a daily basis. In the Spring Army and Navy Stores will be doing the same thing for two card companies. Thus the paper vouchers will be eliminated and "hot lists" of stolen or defaulted cards will be sent back on tape and held in the terminals.

Army and Navy Stores have an even more ambitious plan in which American Express transactions will be referred to an international clearing centre in Phoenix, Arizona, sanctions coming back within seconds.

GEOFFREY CHARLISH

Data networks: getting them all lined up

BY ALAN CANE

THE WATCHWORD in the computer business these days is networking. The literature teems with proprietary networking products — Ethernet, Decnet, Primenet, Wangnet, IBM's Systems Network Architecture, the Datapoint ARC . . . and now from Computer and Systems Engineering in the UK, Casenet.

Another UK company, Networking Technology, has been set up entirely to deal with, in the words of its managing director John Newman: "the efficient movement of digital information from point to point."

This flurry of activity is both trendy and timely.

Trendy because almost everybody in the computers and *communications business is try*ing to get into what they see as the lucrative business of data networking — especially local data networks.

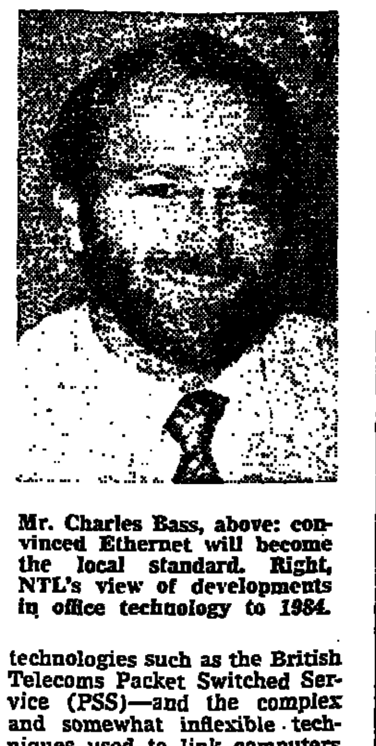
And timely because the technology is now mature enough to support the dream of the networking engineers. (As a bonus, *local networking is the corner*stone of the "electronic office" of the future.)

The dream is the open interconnection *of all manner of* office equipment—business computers, word processors, telephones and facsimile machines *—in a single organisation or on* a single site.

Their bigger dream is the open connection of any of these pieces of equipment to any other piece of equipment on any other site or in any other organisation.

It may be some years before that dream is realised completely, but already the first pieces of the jigsaw are ready to be laid in position.

Of major importance is the local area network. This is simply a compromise between the very slow or very expensive techniques used to send data very long distances—the conventional packet switching technologies such as the British Telecoms Packet Switched Service (PSS)—and the complex and somewhat inflexible techniques used to link computers and terminals *for multi-purpose* working.

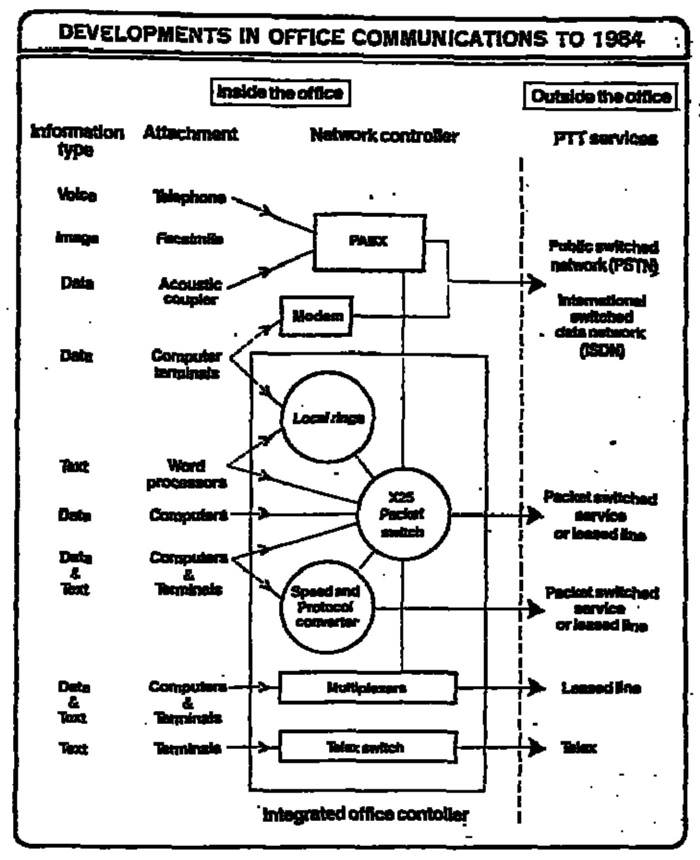


Mr. Charles Bass, above: convinced Ethernet will become the local standard. Right, NTL's view of developments in office technology to 1984.

The aim of a local area network is to facilitate the movement of information cheaply, but at high speed within a fairly limited range—say, 100 metres to 10 kilometres.

There is an almost limitless number of ways this can be achieved—each with its own clutch of advantages and disadvantages—and there is fierce controversy over which, if any, should become the international standard.

One of the chief contenders is Ethernet—a method pioneered by Xerox and now jointly endorsed by Digital Equipment, which is building the necessary transceivers, Intel which is making the logic chips and Xerox which is putting together whole systems.



It has spawned a number of look-alike systems, of which Net One, developed by Ralph Ungermann and Charles Bass, is among the most advanced.

Case announced this week that Ungermann Bass will supply Net One components worth U.S.$500,000 for use with Casenet, a system which includes both local networking and the facility to communicate with other networks.

Ethernet is simply a length of coaxial cable to which all *the devices in the local network* are attached. What costs the money is the clever adaptors used to marshall information from a terminal or word processor onto the cable and make sure it gets to the right destination.

And equally important, to make sure that one set of data on the network does not crash into another on its way to its destination.

Mr. Charles Bass, in London *last week for the launch of* Casenet, said Net One was modelled on Ethernet because he was sure it would become *the dc facto local networking* standard with Digital, Intel and Xerox (the DIX group) behind it, together with interest from Hewlett Packard, Olivetti, Nixdorf and Zilog.

The chief advantages were that it was a baseband technology which could transmit up to ten million bits of information a second and with 48-bit addressing capability "which should keep us going for a bit" Mr. Bass said. The system prevents packets of information crashing into each other through a system called CSMA/CA where the transmitting device "listens" for traffic before sending.

Casenet takes Net One as its starting point, and provides methods of sending and receiving messages to and from other networks using its message switch MSX and its data concentrating exchange DCX.

According to Mr. Michael Hafferty, Case marketing manager, the demand for these products should come into its own in 1983. Case has been preparing for these develop*ments in networking and the* automated office for some years now. Networking Technology, however, is a brand new member of the Information Technology group (which includes Iann Barron's old company Computer Technology and Office Technology).

The group is masterminded by Mr. Tony Davies, who founded the highly successful Membrain equipment testing company and sold it to Schlumberger.

He is at present welding the "Technologies" to attack the different areas of what he sees as the most exciting market at present—the integration of the electronic office.

He and John Newman argue that customers are looking for independent vendors for the "electronic glue" they need to bind their communications together.

They intend to sell—but not to manufacture—a range of *products from multiplexers and* protocol convertors through message switches and local area networks to private packet switched networks.

NTL's first suppliers include Digital Communications Corporation which supplies *packet switch* node computers to the value added data carrier Telenet in the U.S. It will be emphasising the DCC statistical multiplexer which can switch information within the office or outside.

It has also concluded a contract with SIT-INTEL for devices to assemble and disassemble packets of information for transmission on the network.

NTL expects to be able to announce the names of suppliers for the other parts of its systems armoury as soon as deals at present in negotiation are concluded.

Synchronous connectivity, base band, broad band, point to point, broadcast, ring main, ether, topology, mesh, line, fan, star, fan, circle. These are the words the modern network designer plays with as he or she considers how best to move millions of pieces of information from one place to another. *From the customers' point of* view, the problems are irrelevant. The success of the networking companies will depend on how simple they can make their systems seem to their users.

NEWS IN BRIEF

PERIPHERALS

MAKING AN entry into the *fast-growing* computer graphics market is Data General with its Trendview Dasher G300 display terminal and chart generation *software.*

The unit is claimed to be more intelligent than most other raster graphics display *terminals and is able to accept* English-like graphics commands which enable programs to be written in any computer programming language and make the command functions easily understood.

Facilities provided include plotting in polar coordinates, drawing arcs, filling in any *enclosed* shape, *relative posi*tioning, user-defined line styles and the plotting of text in a wide variety of formats.

Data General *is at* 724 London Road, Hounslow, Middlesex TW3 1PD (01-572 7455).

SECURITY

AN ALARM system designed to prevent the fraudulent use of electronic cash registers by dishonest staff, introduced by Anglia Electronic Services, 116 Brompton Road, London SW3 (01-581 2244), sets up a high-frequency (80 dB) audible signal when the drawer of the *cash register is left open* for more than 20 seconds.

Before it can be reopened a sale duly indicated by the light emitting diode display must be made. Even if the drawer is not fully closed the alarm is still activated, drawing the attention of customers, management and staff to incorrect use of the register. The alarm unit is fitted within the cash register case.

TEMPERATURE

FIBRE-OPTICS are used in a portable transmission thermometer from Land Pyrometers, Wreakes Lane, Dronfield, Sheffield S18 6DJ (0246 417691).

Infra-red radiation from the measured surface enters a probe which can have a straight, 45 degree or 90 degree tip profile, allowing it to be pressed on to a surface from almost any position.

Infra-red energy travels up a *fibre optic bundle inside a stain*less steel tube about a foot long and into a head containing a silicon photodetector. The head *is cable connected to an elec*tronics box housing a digital display—on which a temperature reading appears within 20 milliseconds of placing the probe squarely on the surface and pressing the sampling switch. The reading on the display is retained for 10 seconds.

Temperature measuring range of the instrument is 350 to 650 deg. C and the accuracy is within plus or minus 5 deg. C. Additional analogue and digital outputs are provided.

DRAINAGE

SAVING AN hour and a half a day in land draining projects can be worth £300 a week in extra work for contractors with the employmentof giant coils of plastic land drainage pipes from Aqua-Pipes, Darlingscott Road, Shipston on Stour, Warwicks.

Known as Superkoils, each 60 mm pipe contains over 3,000 metres in one length. They are also made in 1,500 metre size, or other special lengths, to suit contractors' individual purposes.

Designed for stringing out pipe in the field ahead of the drainer, a Superkoiler (the *company's specialised handling* equipment) tilts hydraulically to pick up a coil from the ground. Twin "thumb" versions are made to carry Superkoils of pipe for both lateral and main drains.

The system is new to the UK, although giant drainage pipe coils have been well tried in Canada and the U.S. where the idea was developed and where large coils dominate the plastic pipe market.

Savings in work time with the product amount to at least 40 minutes for each 3,000 metres. The company says that on average the savings will be greater, simply because the stops made to put on new coils provide opportunities for delay—with a big drainer, the normal work rate is high enough for a stop to be made every 12 to 15 minutes.

The alternative to using Superkoil necessitates collecting, mounting on the drainer and connecting 20 small coils and, from field observations, it is known that the time taken for each changeover is seldom less than two minutes.

Working at an above-average speed, a big drainer will lay two Superkoils a day, promising at least the one and a half hours time bonus.

MATERIALS

DESIGNED FOR thermal insulation in timber-framed buildings, two additions to the Gypglas range of glass-fibre materials are available in thicknesses of 120 mm, 140 mm and 160 mm in as well as the previously standard 60 mm, 80 mm and 100 mm. The widths are 370 mm or 570 mm.

The two materials, Gypglas 1012 and 1022, are both supplied *in rolls with* flanged facings. There is a choice of either a kraft paper facing (1012) or an aluminium/kraft *facing claimed to provide a full* vapour barrier (1022). Details from Gyproc Glass Fibre Insulation, Runcorn, Cheshire WA7 (0928 712627).

WIRE WRAPPING

MORE SPEED and versatility can be obtained from semi-automatic wire wraping machines using a floppy disc controller offered by Vero Systems (Electronics), 362 Spring Road, Southampton SO9 5QJ (0703 440611).

Usually these machines (the Contact Systems range for example) are controlled by paper tape which has to be produced off line and has to be rewound at the end of each job.

But the floppy disc approach means that immediate on-line correction and editing of controller programs becomes possible.

Called CS-150FD, the controller uses a 5¼ inch minidiskette which accommodates both wirelistings and machine drive data. Immediate design changes are implemented simply by "jogging" the machine pointer to the required new wrap terminal and pressing the "add" button. To delete a wire, the operator presses the *"delete" button at the relevant* point in the wrapping sequence. A display shows actual pin name to assist operation and setting up.

ENERGY

METHANE GAS produced by sludge digestion units installed at Joong Rang Cheon, South Korea, by Simon-Hartley, Stoke-on-Trent, has already generated about 2.5m kWh of electricity and saved about 4,000 barrels of Bunker-C furnace oil, the *company claims. The plant,* commissioned in 1979, was erected by local labour under Simon-Hartley supervision. It has been commended by the South Korean Ministry of Energy and Resources as the country's most efficient energy saver in 1980.

The £3.5m plant was designed to process sewage and industrial effluent from a community of about 1m people near Seoul.

Building and Civil Engineering

Big Thailand bridge project

PREPARATIONS FOR a big overseas project, which will interest bridge builders and the steel industry, are under way.

The project is a 3.5 km section of the Bangkok expressway which will cross the 500 metres wide Chao Phya River via a cable-stayed bridge.

Design is being undertaken for the Expressway and Rapid Transit Authority of Thailand by an international consortium of consulting engineers led by Peter Fraenkel and Partners. Other members include Parsons Brinckerhoff International Inc. of New York and Dr. Ing Hellmut Homberg of Hagen and National Engineering Consultants Company of Bangkok.

The river crossing will be a cable-stayed bridge, and Peter Fraenkel says navigation requirements dictate a main span of 450 metres with a minimum clearance of 41 metres above the river. This, together with three short flanking spans, will give a total bridge length of 781.2 metres.

Single steel pylons rising 125 metres on either side will carry the cables which fan out in a single plane along the axis of the bridge to support the deck girder, a steel box section with an aerodynamic shape in the main span. The massive concrete piers of the bridge are to be founded on large diameter bored piles reaching to a depth of 45 metres.

The approach bridges will consist of a series of 50-metre spans which at a gradient of 5 per cent give an overall bridge length of 2,250 metres.

It is expected that the crossing will require a minimum of three years to construct and together with the associated toll plazas and interchanges, will cost, at 1980 prices, some £50m. When completed the main span of this bridge will be the longest of its kind in the world, says Peter Fraenkel.

Bovis wins £4.2m contract

THE NEW British Telecommunications headquarters for the Stoke-on-Trent telephone area is to be built under a £4.2m contract by Bovis Construction, which will act as management contractor. The building, comprising six floors and two basement levels, will have a floor area of about 12,500 sq metres. Of U shape, it will be erected on a sloping site with lower ground and basement levels.

Construction will be of reinforced concrete with brick cladding, the envelope being designed to achieve high thermal efficiency in accordance with the new Section FF of the Building Regulations. Accommodation will include offices, canteen, toilets and three lifts. Demountable partitions will be designed to provide a high degree of acoustical separation and a half-hour fire resistance.

Since the site is in a previously mined area the ground has needed to be stabilised. The basement has required a deep excavation, for which a ground retention scheme is to be provided. The architects and consulting engineers are Norman and Dawbarn, Wolverhampton.

Bovis has also been awarded a contract valued at £460,000 to refurbish an office block in Great Portland Street, London W1, for the Royal Liver Building Society, which plans to lease the building. Comprising four floors of about 200 sq metres and a basement, the refurbished building will provide accommodation suitable for use as open-plan offices or for sub-division into cellular offices.

Several awards to Pochin

CONTRACTS in the North West and North Wales totalling more than £2.3m have been won by Pochin Contractors, Middlewich, Cheshire. They include the rebuilding of a fire-damaged factory for Denis Ferranti Meters at Bangor (£593,000), building a further phase of a sports centre at Holyhead for Anglesey Borough Council (£403,000), and the design and construction of a factory for Solan Laboratories at Runcorn, Lancs (£304,000).

Other contracts cover the modernisation of Colwyn Bay Station for British Rail (£350,000), warehouses at Bangor (£250,000) and Stockport (£115,000); a paint shop for British Aerospace at Broughton, Lancs (£182,000), and a brewery extension at Stockport (£121,000).

Steelwork for airport

STEELWORK for the new satellite passenger terminal at Gatwick Airport is the largest of the contracts totalling more than £3.7m won by Robert Watson and Co. (Constructional Engineers), Bolton. The Gatwick contract is worth £1.2m. More than half the steelwork is designed for erection as part of a 270-metre rapid transport link between the satellite and the existing Terminal One building.

In Greater Manchester the company is to start work next month on a contract worth £819,000 for tubular steelwork at a new North West Electricity Board complex of four blocks of workshops and offices at Ashton-under-Lyne.

Under a contract worth £515,000, Watson is to fabricate and erect the steelwork for the new St. George's shopping centre at Gravesend, Kent, which includes the integration of the existing Marks and Spencer and British Home Stores premises. In Piccadilly Circus, London, the company is supplying the structural steelwork for the first two phases of the Trocadero complex under a £545,000 contract.

Offices in Swindon

THE SECOND phase of an office block complex in Swindon is to be built by Sir Robert McAlpine and Sons under a £3.5m contract awarded by Holloway Properties. It follows the recent completion by McAlpine of Phase 1 in Gloucester Street. The L-shaped structure will be of reinforced concrete frame construction, brick-clad and with areas of lead on the walls and roof.

Rising 18.25 metres above a small basement, the building will provide 5,400 sq metres of floor space. It will be air-conditioned throughout and have two passenger lifts. Completion is due in mid-1982. The architects are the Alec French Partnership.

Supermarket planned

EPSOM, Surrey, is to have a new 40,000 sq ft Sainsbury's supermarket, which will be built and fitted out by Myton, a member of the Taylor Woodrow Group, under a contract valued at £2.9m. Work is due to start this month and to be completed in June next year. It will include a 55,000 sq ft car park for for customers with space for 170 vehicles.

The architects are Leslie Jones and Partners in collaboration with J. Sainsbury's architect's and engineers' department.

Architects' success in Oman

BRITISH ARCHITECTS Jefferson Sheard and Partners in association with Ayoub Oghanna Associates have won a competition for the design of the Chamber of Commerce and Industry headquarters building in Ruwi in the Sultanate of Oman.

The building will occupy a commanding position at the north-west corner of the new civic plazza which is to form the main centre of Ruwi near to the headquarters of the central bank of Oman.

The design calls for a podium at ground and mezzanine levels occupying the whole of the site area with four floors above the podium and a semi-basement car park beneath. An inner lightwell will form a major feature within the central core of the building.

A library, a members club and the chammers' public relations and administration offices will occupy the upper levels with executive offices placed on the top floor. There will also be areas of lettable office space, shop accommodation and space for a branch bank.

Jefferson Sheard says it is expecting instructions to proceed with the detail design with a view to construction starting in mid-1982.

Last stage of new hospital

THE THIRD and final phase of the new Royal Victoria Hospital, Edinburgh, will be carried out by Henry Boot Construction under a £4.4m three-year contract awarded by the Lothian Health Board. It includes the building of a three-storey ward block; a single-storey psycho-geriatric day hospital; a teachers' study accommodation building; a two-storey stores department and laundry; and a three-storey staff residence block.

Boot's work will include the demolition of existing buildings and extensive alterations to others. It covers the installation of lifts, plant rooms, a boiler house and other mechanical and electrical services. External works include roadways, car parks, paths and drainage. The architects are Alan Rieach, Eric Hall and Partners, Edinburgh.

Dr. Rina T. Nealon, chairman of the Lothian Health Board, will inaugurate the building of the new hospital by cutting the first sod on the site tomorrow.

£11m Taylor Woodrow awards

COMPANIES in the Taylor Woodrow group have been awarded contracts totalling more than £11m. The largest is a £6m contract, won by Taylor Woodrow Construction (Northern), and awarded by the Manchester International Airports Authority to extend its main runway.

Work on site is due to start this month and to be completed in December 1982. The project involves clearing 38 hectares and placing more than 1m cu metres to fill to allow a 240-metre extension to the runway, as well as related works for aircraft inspection pits, airfield and approach lighting installations, roads, fences, runway and taxi-ing markings, and other ancillary work.

The contract includes diverting the River Bollin into a new 780-metres long channel, building a bridge over it and preparing an area to take a new localiser aerial for the instrument landing system. It will be carried out under the direction of Mr. A. E. Nailer, county engineer with the Greater Manchester Council and joint engineer to the Manchester International Airport Authority.

In Guyana, Taylor Woodrow International has won two contracts with a joint value of just over £5m. The larger, for a 69 kV transmission line, has been awarded by the Guyana Electricity Corporation and is valued at about £4.3m. The line, 107 miles long, will run south from Georgetown to Corentyne, with crossings on steel towers over the Berbice and Canje rivers.

The work involves clearing the right of way and then constructuring, erecting, testing and commissioning the line. The river crossings consist of spans of 2,550 ft and 580 ft at heights of 220 ft and 120 ft above the water. The project is expected to take about 20 months. Consulting engineers are Shawinigan Engineering, Montreal.

The smaller contract in Guyana, valued at just under £1m, has been awarded by the Guyanese Ministry of Health Housing and Labour for work at the West Demerar Regional Hospital compound. It involves the demolition of existing buildings and the construction of a service building, an outpatients' building, a paedriatic unit, and an apartment building. Completion is due in June next year.

More work for John Laing

THE SCOTTISH and Yorkshire regions of John Laing Construction have together won contracts totalling £2.4m. A development project for a Scottish bacon curer and sausage manufacturer, David A Hall, is to be carried out by Laing under a contract worth more than £1.7m. Work begins on Hall's site at Broxburn, West Lothian, this month and completion is due in July next year.

The work, which is to be phased, will include a single-storey 1,260 sq metre abattoir and lairage to replace the existing abattoir, a two-storey butchery and despatch block with a floor area of 2,880 sq metres, and a three-storey office block with 725 sq metres of floor space.

Each unit will be steel-framed with blockwork and metal cladding. The work also involves the installation of electrical and mechanical services, including refrigeration and air-conditioning. The architects are Forgan and Stewart and the consulting engineers H. L. Waterman and Partners.

In Sheffield the County Court Hall is to be refurbished by Laing under a contract, worth nearly £700,000 awarded by the Property Services Agency. The internal layout of the courthouse, in Bank Street, will be restructured and converted into new service areas and offices to accommodate Civil and Crown Court sittings.

There will be two extensions, four storeys and two storeys respectively of traditional brick and block construction. The work includes a steel-framed plant room on the roof and the installation of new heating, plumbing, wiring and air-conditioning throughout the courthouse. Laing is scheduled to hand over the building to the PSA in two phases, at the end of this year and early next year.

Road-building and housing

INDUSTRIAL, commercial, housing and road-building contracts awarded to divisions of the Fairclough Group total more than £3m. The largest, worth about £1.5m, covers the widening of the northern approach road to the Dartford Tunnel under the Thames for Essex County Council.

Fairclough Civil Engineering, Southern Division, will add an extra lane to the last kilometre before the tunnel entrance of the north-bound carriageway of the A282.

Fairclough will also carry out resurfacing work on both carriageways and move existing sign gantries and a crash barrier on a viaduct. For the last 300 metres before the tunnel the extra lane will be built on piled raft foundations.

The improvements will pave the way for a link between the A282 and a stretch of the M25 now under construction in Kent. The work is expected to take about 75 weeks to complete.

Fairclough Building, North Western Division, will construct a computer suite worth £600,000 for Barclays Bank at Radbroke Hall, Knutsford, Cheshire, which houses several of the bank's head office departments.

At Hollinwood, Oldham, the company is to build a 2,700 sq metre steel-framed factory for Ferranti Measurements under a contract valued at £560,000. It will replace an older building on the site and be used for manufacturing electric meters.

At Brownley Green, Wythenshawe, Fairclough will improve 89 council homes under a £570,000 contract with Manchester City Council. The company has also begun work on a £130,000 contract to refurbish a factory at Bootle, Merseyside, for Schering-Prebbles, manufacturer of surgical swabs.

Extending a factory

A CONTRACT worth about £750,000 for the design and construction of additional factory space at St. Leonards-on-Sea, East Sussex, has been awarded to Y. J. Lovell (Southern) by Control Data. Work has already begun on the seven-month project, which will provide 1,900 square metres of floor space for production processes and offices.

The two-storey building will be steel-framed on mass concrete foundations, with precast slab floors and a metal-decked roof. One elevation will have Astrawall glass walling while the remainder of the building will be finished in brick with metal cladding. Internal finishes include suspended ceilings, demountable partitioning and carpeted or tiled floors. External work includes the building of car parks and access roads.

Steelwork ordered

TWO contracts totalling £2.1m have been awarded to the S. W. Farmer Group. In the larger, worth £1.1m, its structural engineering subsidiary, S. W. Farmer and Son, will supply the steelwork for part of the Scotland Gas Project at Mossmorran, Fife. The order was placed by the Ralph M. Parsons Co. on behalf of its client Shell UK.

The other contract, worth £1m, has been awarded to Farmer Plant Engineering (Australia) Pty. for the supply of six reformer furnaces at an enlarged olefine plant in Botany Bay, Sydney.

Railway equipment

ORDERS totalling nearly £1.6m have been placed with British manufacturers of railway equipment by Kaduna Railway Construction in association with Roderland International, Tunbridge Wells, Kent. The largest order, worth just over £1m, has been placed with BSC Track Products, Workington.

RMP (Railway, Mine and Plantation), London, will supply turnouts and fish-bolts to the value of £325,000, while Pandrol, London, will supply rail clips and screw spikes worth £132,000.

The Kaduna project, commissioned by the Nigerian Railway Corporation, will link Nigeria's third largest oil refinery at Kaduna to the country's main railway network.

IN BRIEF

● A road surfacing contract valued at £420,000 has been awarded to Hargreaves Quarries highways division by Tarmac Regional Construction. It covers work on the 6km Gristhorpe-Lebberton by-pass on the A165 near Filey, Yorkshire.

● Housing rehabilitation contracts totalling more than £850,000 in Glasgow and Berwick upon Tweed have been won by the Scottish and Newcastle-upon-Tyne offices of Humphreys and Glasgow Services.

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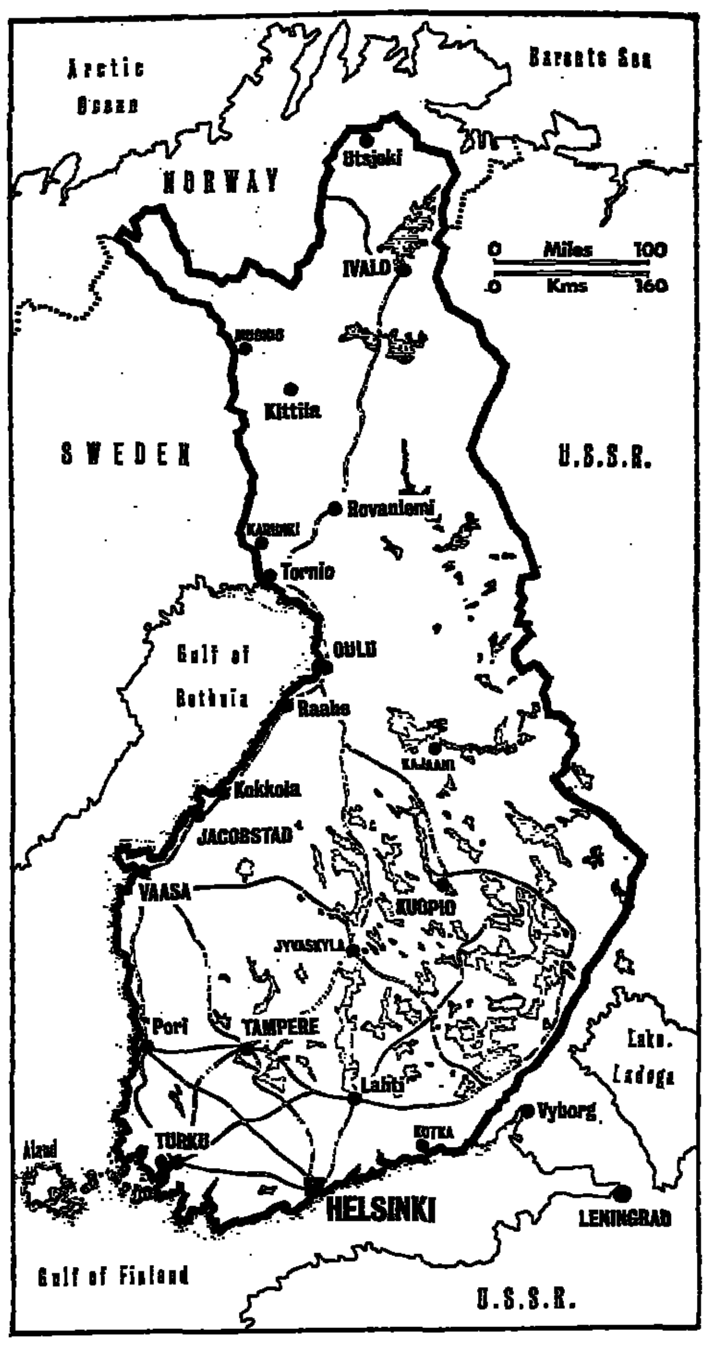
CONTRACTS AND TENDERS

FINANCIAL TIMES SURVEY

Monday March 16 1981

Finland

Finland's economic growth is among the highest of the industrialised nations. Although the Finnish recipe for success is in no way doctrinaire, an essential element has been a general incomes agreement. Business confidence is being demonstrated by an investment surge in manufacturing industry.



Envy of the Nordic nations

By William Dullforce
Nordic Correspondent

THE FINNS are used to being champions in athletics; they have bred Olympic winners from the days of the legendary Paavo Nurmi to those of Lasse Viren. They are less accustomed to winning championships for economic performance. Yet, for the past three years, Finland has been either at the top (or close to the top) in economic growth among the industrialised nations.

This feat has started to attract foreign attention. In explaining how they have done it, the Finns tend to be modest and self-deprecating (which they are not when chronicling their athletic record).

They point out that their economic comeback followed on three years of no growth. They were surprised when the recovery persisted so strongly through 1980. They have had some good luck in that under their bilateral trade agreement with the Soviet Union, which supplies some 60 per cent of their oil needs, they have been able to sell more industrialised goods to pay for the higher cost of oil.

Nobody can yet be sure that the economy will not swing violently back into recession, as it has done frequently in the past. But despite an acceleration in inflation last year, the outlook is fair and the economy is certainly more stable than at the time of the last downturn in *1975*.

Business confidence is demonstrated in the investment pattern. Total fixed investment climbed by 13 per cent last year and in manufacturing industry there was a 40 per cent surge in capital spending. The pace will slacken this year, but Finland's Scandinavian neighbours Sweden and Denmark would be pleased to achieve similar revivals.

Monetary policy

The Finnish recipe is in no way doctrinaire. Monetary policy has been supple, fiscal restraint has been applied, taxes have been curtailed, but an essential element has also been a general incomes agreement. Consensus and common-sense are prominent ingredients.

The trade unions accepted a drop in their members' real incomes and living standards, to help combat inflation and to provide room for a switch of resources from consumption to investment.

Government policy has been conservative, although it has been practised by two left-centre coalition governments headed by Social Democrat premiers, Kalevi Sorsa and Mauno Koivisto, with Communists in the cabinet. The Social Democrats would reject the epithet, preferring to talk of a return to economic realism, while the Communists' attitude is one of the most intriguing aspects of contemporary Finnish politics.

Just as the Finn's new economic approach has still to *demonstrate its staying power*, so is there a question mark over the endurance of Mr. Koivisto's Government. It has lasted longer than many observers expected, but during the recent national pay negotiations it has showed signs of strain and of the fatigue engendered by the constant give and take of coalition rule.

Formed after the 1979 general election, in which the non-socialist parties won a 113-87 majority over the Social Democrats and People's Democrats (mostly Communists) in Parliament, the Koivisto coalition includes the Social Democrats (52 MPs), the Centre Party (36), the People's Democrats (35) and the Swedish People's Party (10).

The Conservatives, although they became the second largest party with 47 members, were left in opposition together with the small Christian League, Finnish Rural and Liberal parties. They have still to win the "right" to participate in government.

Because of an extremist minority in their ranks their loyalty to Finland's foreign policy, which is based on realistic consideration for the strategic interests of the Soviet Union, is allegedly suspect in Moscow. In practice, President Urho Kekkonen believes that policy is best underpinned by coalition governments incorporating the Left.

Communist veto

The Communists veto co-operation with the Conservatives. *The Social Democrats* are not prepared to expose their left flank by joining alone a cabinet dominated by the Right and the Conservatives remain in the cold.

Paradoxically — and paradox is an essential feature of Finnish politics—their votes in parliament have enabled Mr. Koivisto from time to time to pass *legislation* opposed by parties participating in his coalition. The latest incident, in which the Communists voted against changes in the indexation law required by the proposed national pay settlement, spotlights the most recent trouble within the government.

The Communists are divided into majority and minority factions, the majority under the party chairman, Aarne Saarinen, being represented in the Government. The minority, headed by deputy chairman, Taisto Sinisalo, rejects co-operation with non-Socialist parties.

The origins of this difference can be traced back to the 20th Congress of the Soviet Union Communist Party, when Nikita Kruschev lifted the veil on Josef Stalin's rule. The minority in the Finnish party carries on the Stalinist tradition while the majority represents a nationalist and revisionist line.

Their schism mirrors developments within international Communism over the past 25 years, including the phenomenon of rupture into two parties has been avoided by the majority faction's participation in coalition Government now and during the 1970s has engendered a *crisis of identity within party* ranks which will pervade its congress in May.

Two young Communists, writing in the party's ideological magazine recently, called for a new line. The current choice before party members, they pointed out, was to drift along with a basically bourgeois Government in the hope of marginally influencing its decisions or to accept a party run under rigid discipline by party functionaries.

What in short is the difference between Communist and Social Democrat policies? And is the only alternative Stalinist loyalty to Moscow? The Communists' identity crisis has been nurturing for long, but has been brought to the surface by the setback they suffered in last year's local authority elections.

The immediate issue is how long the majority can go on co-operating within a Government which pursues policies Communists cannot accept. Within the Social Democrat party the issue is seen in reverse: how long can the Communists be allowed to disregard collective cabinet responsibility and vote against Government decisions in Parliament?

Criticism

Some Social Democrat MPs are also unhappy about a Government whose actions scarcely reflect socialist ideology and in which, they believe, the Centre party has been able to exercise a disproportionate influence. These rumblings on the Left may be seen as the price the Koivisto Government has to pay for Finland's current economic success, which has been based mainly on the application of liberal economic principles.

Prime Minister Koivisto has his troubles. Although the general popularity he won, when as Governor of the Bank of Finland he initiated the economic recovery, is still strong, criticism of his political leadership has grown within parliament.

He is charged with placing the survival of his Government before consistency of policy. It is true that his approach to questions frequently resembles that of an academic philosopher rather than that of a professional politician, but he can argue—not without justification—that his low-key method for tackling political conflict has so far served the country well.

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President Urho Kekkonen, now in his 81st year.

Mr. Mauno Koivisto, the Prime Minister.

Mr. Ahti Karjalainen, Deputy Governor, Bank of Finland.

Mr. Aarne Saarinen, the Communist leader.

Envy of the Nordic nations

CONTINUED FROM PREVIOUS PAGE

Recent Finnish political history suggests, however, that when Communist behaviour reaches a high level of irritation within a coalition, that particular Government will only survive a few months more. If the alternative then is a minority Government not anchored in the Left-wing parties, both the political and economic outlook would be more overcast.

The survival or fall of the Koivisto Government has other implications. The major subject of Finnish political gossip and machination remains the future of the presidency and Mr. Koivisto is one of the leading candidates for the 1984 presidential election.

This month, Dr. Urho Kekkonen, now in his 81st year, celebrated a quarter of a century as Finland's president. He has used his constitutional authority to control foreign policy and for the greater part of the period he has dominated domestic politics.

His interventions have become less frequent and reports that his powers were declining recently prompted renewed political effervescence and mud-slinging against possible successors, including Mr. Koivisto and Mr. Ahti Karjalainen, former Prime Minister and Foreign Minister, now acting governor of the Bank of Finland and a potential Centre Party candidate.

The leading organs of several political parties have tried to lower the temperature by announcing formally that, as long as President Kekkonen wishes to continue in office (even after 1984), they will not seek to replace him. But the jockeying for position in the next presidential run-off, even though it is more than two years away, will continue to modulate the course of Finnish politics.

President Kekkonen's visit to Moscow last November was unexceptional and confirmed the present good relations between Finland and its powerful neighbour. The practical benefits of the relationship have recently been shown in the increase of Finnish industrial exports to the Soviet Union, which have helped maintain output.

On the foreign policy side, the Finns are currently concerned most about the situation in Europe and the possibility that hostility to the Soviet Union from the Reagan Administration could exacerbate the strategic and political balance in Europe. Finland's interests and the preservation of its neutrality and independence would be best served by a resumption of the process of detente between the superpowers.

More specifically, the Finns have been worried about Norway's decision to store on its territory heavy equipment for a U.S. Marine brigade which could reinforce Norwegian defences in a crisis, although Helsinki has been extremely restrained in public pronouncements on this development.

The Finns are also disappointed over the follow-up meeting in Madrid of the Conference on Security and Co-operation in Europe, whose final document was signed in Helsinki in 1975. The proposals for disarmament which they submitted have been blocked by the impasse into which the meeting has drifted.

The possibility of Soviet intervention in Poland, despite that country's geographical proximity, is taken fairly coolly in Helsinki. In the past, it is pointed out, trouble with the Poles has led Russia to reinforce its friendly attitude to Finland.

Tough measures lead to a remarkable recovery

THE ECONOMY

WILLIAM DULLFORCE

FOR two years Finland has taken pride of place for economic growth among the industrialised countries. A rise in total output of 7.2 per cent in 1979 was followed by a further gain of 5.5 per cent last year—about 1 per cent more than expected. Amid world recession the 2 to 3 per cent growth forecast for this year would keep Finland near the top of the OECD rankings.

Two questions present themselves. How has Finland, whose economy was one of the worst performers for three years from 1975, achieved this remarkable recovery? Can the Finns this time maintain stability and avoid the kind of rebound which has in the past characterised their economy?

There are some negative signs. The trade balance turned into deficit last year; the international competitiveness of Finnish industry has started to deteriorate; and it is by no means certain that inflation is under control.

On the other hand, these negative trends are not so far excessive and with some careful management Finland can hope to latch on to the upturn in the industrialised economies—if it comes in 1982—to achieve further export-led growth.

How have the Finns done it? Some luck has been involved in that in 1978 and 1979 the strengthening in demand from the country's main export markets, particularly for forest industry products, came at exactly the right time. Last year, when Western markets started to weaken, it was possible to sustain output as a result of a new five-year trade agreement with the Soviet Union and the opportunity to raise deliveries to that country in order to cover the sharp increase in the bill for imported Soviet oil.

But credit must also be given for good economic management. The approach has been pragmatic, as becomes a country governed by a coalition representing a broad spectrum of political interests. There has been a bit of everything. Monetary policy has been alert and active, there has been fiscal restraint, an incomes policy has been applied. A touch of Keynesian demand control has been supplemented by a good dollop of supply economics to stimulate production and industrial investment.

Pragmatism

For a long time the Finns took Sweden as their model and were ambitious to achieve Swedish levels of prosperity. The pragmatism of their economic approach in the past few years, however, has been demonstrated by their deviations from Swedish policies. Unlike the Swedes, the Finns have not been politically pedantic about maintaining near full employment and they have not made heavy use of public funds to shore up lame-duck industries.

The ground for Finland's comeback was laid back in 1975 by the deflationary purge conducted by the Bank of Finland under its Governor Mauno Koivisto (now Prime Minister). A currency devaluation and extremely stringent monetary controls damped down inflation and helped to restore the competitiveness of Finnish industry. The cost was unemployment, which reached close to 9 per cent of the labour force in the winter of 1977/78, and a real drop in incomes and living standards.

Another element has been fiscal restraint. Proponents of tax cuts can find evidence to support their case in recent Finnish economic history. Finland has not built up such a large public sector as several other European countries but by the middle of the 1970s it was in the happy position of having just completed the construction of a modern infrastructure in road, air and rail communications.

From 1976 onwards, in fact, the Finns succeeded in curbing the growth in public spending. Total taxation as a proportion of Gross Domestic Product (GDP) has declined faster than in any other industrial country, according to the Finance Ministry. The ratio of gross transfers through the budget (excluding social security contributions payable in the private sector) actually declined from 40 per cent of GDP in 1976 to 35 per cent in 1979.

In third place some tribute should be paid to the coalition Government headed by Mr. Kalevi Sorsa. In June 1977 this Administration adopted a five-year programme for economic recovery which gave priority to stimulating industrial production and exports and set credible macro-economic targets to support its aim.

Between 1977 and 1979 the Government put together half a dozen so-called stimulation packets, each containing 20 to 30 minor measures. "Too little" was the initial reaction from industry and for some time the impact on business confidence appeared to be slight; but the Government persisted and in 1979 the take-off in industrial output and investment occurred. Here again we see the effect of a pragmatic approach.

But recent success does not mean that the Finns have found the secret of economic growth. Their small economy remains open to fluctuations on the export market and vulnerable to inflation. A delicate political balance has to be maintained, in order to keep Finnish industry competitive; an increase in relative production costs can swiftly bring back the deep economic imbalances of the mid-1970s.

At present the economic situation can provide grounds for two scenarios, one sceptical and one optimistic. Last year export growth was fairly well sustained but imports climbed faster and the current account dipped into an FM 5bn ($1.25bn) deficit, having shown an FM 2.6bn surplus in 1978.

The Finance Ministry expects exports to grow by 1 per cent in volume this year, a decline on the West European market being offset by larger deliveries to the Soviet Union and other countries. The volume of imports is forecast to remain stable and the terms of trade to be more or less unchanged (assuming that there will not be another large increase in oil prices). Higher net interest payments, it is calculated, will produce a current account deficit of FM 6.1bn.

The Finance Minister, Mr. Ahti Pekkala, has already warned that the deficit offers no ground for complacency. He is also worried about the budget deficit, which will be a manageable FM 5bn this year but after the promised adjustments to tax scales threatens to climb to FM 8bn in 1982.

Now the Government still has some cash reserves and compared with the position in 1975 the current account deficit is not yet critical. A 1981 deficit of FM 6.1bn will not be more than 3 per cent of GDP, whereas in 1975 the deficit equalled 8 per cent. The net foreign debt, which exceeded 20 per cent of GDP in 1977, is still under 16 per cent.

The Bank of Finland started to tighten the monetary reins last summer and can be expected to retain a stringent stance, at least until the economy appears to be stabilising, and it may become necessary to stimulate investment. In any case, because of the long lead times on projects, investment activity is likely to remain fairly high in 1981, although manufacturing investment can decline towards the end of the year.

Fixed investment grew by 13 per cent in volume in 1980, is scheduled to increase by a further 5-6 per cent this year, and has been the fastest-growing demand component. Significantly, the share of industrial investment has increased. Both public and private consumption are targeted to rise by 3 per cent this year and domestic demand will be the main growth factor.

However, the crucial indicators for the Finnish economy remain the prices index and the relative production cost of industry. As a rough rule of thumb it is estimated that half the increase in prices derives from abroad and is therefore only controllable by exchange rate adjustments, a sensitive issue in themselves.

Foreign impact

It is hoped that the foreign impact in 1981 will be smaller than it was last year, when consumer prices rose by 11.6 per cent on average from 1979 and the December-to-December rise was 13.7 per cent. The key element for 1981 and possibly also for 1982 is likely to be the two-year general incomes settlement negotiated in the beginning of this year and effective from March 1.

This has been a complicated exercise involving farmers as well as employers and trade unions and dependent on some delicate political horse-trading.

Moreover, as the Employers' Association and the Central Union Federation signed the agreement on March 9, unions representing almost half the labour force indicated that they were not satisfied and wanted further negotiations. These are mostly unions where the communist influence is strongest. The country thus faces the threat of widespread strike activity later this year.

The agreement provides for average pay increases of 3.8 per cent this month, 2.6 per cent in September, 2.2 per cent next March and a further 3 per cent in September 1982. Pay is also linked to the consumer price index, adjusted for changes in the terms of trade. If the index rises by more than 6 per cent between March and December, wages and salaries will rise in line with the excess. If the index climbs more than 7 per cent between December and November, 1982, pay will again be adjusted to cover the excess rise.

The Finance Ministry raised its forecast for the increase in the consumer price index during this year from 8.5 to 9.5 per cent after the contents of the settlement became known. Prices were expected to rise faster in the first quarter, so that there was a chance that the 6 per cent threshold would not be breached this year.

The Ministry estimates that the average increase in the earnings level will be around 12 per cnt year-on-year in 1981 and believes that industry's competitive position will not worsen significantly. Its assumptions could be rather too sanguine. Other forecasters expect a December-to-December consumer price increase of close to 11 per cent and a 13 per cent rise in companies' average wage bill per worker.

Wage drift has been confined to 2.5-3 per cent a year recently. Productivity will not improve as much as in the two previous years (5.3 per cent in 1979, 3.6 per cent in 1980) and ETLA, the Research Institute of the Finnish Economy, is forecasting a 10.6 per cent increase in industry's unit labour.

NATIONAL BALANCE OF SUPPLY AND DEMAND

	1980 (FMbn)	Volume (% change) 1979	1980	1981	Price (% change) 1979	1980	1981
GDP in purchasers' values	188	7.2	5½	3	7.5	10½	11
Imports of goods and services	65	16.0	11½	0½	15.0	16	7½
Total supply	253	9.0	6½	2½	9.3	12	10
Exports of goods and services	63	9.0	9	1	12.0	11	7
Consumption	137	4.6	3	3	8.2	11½	10½
(i) Private	103	5.0	3	3	7.9	11½	10½
(ii) Public	34	3.3	3	3	9.1	12	11½
Gross fixed capital formation	48	4.5	12½	5½	9.0	13½	11½
(i) Private	42	5.1	14	6½	9.2	13	11
(ii) General government	6	0.6	4	0	7.2	14½	12
Increase in stocks (incl. statistical discrepancy)	5	—	—	—	—	—	—
Total demand	253	9.0	6½	2½	9.3	12	10
Domestic demand (incl. statistical discrepancy)	189	9.1	6	3	8.4	12½	11

Source: Ministry of Finance

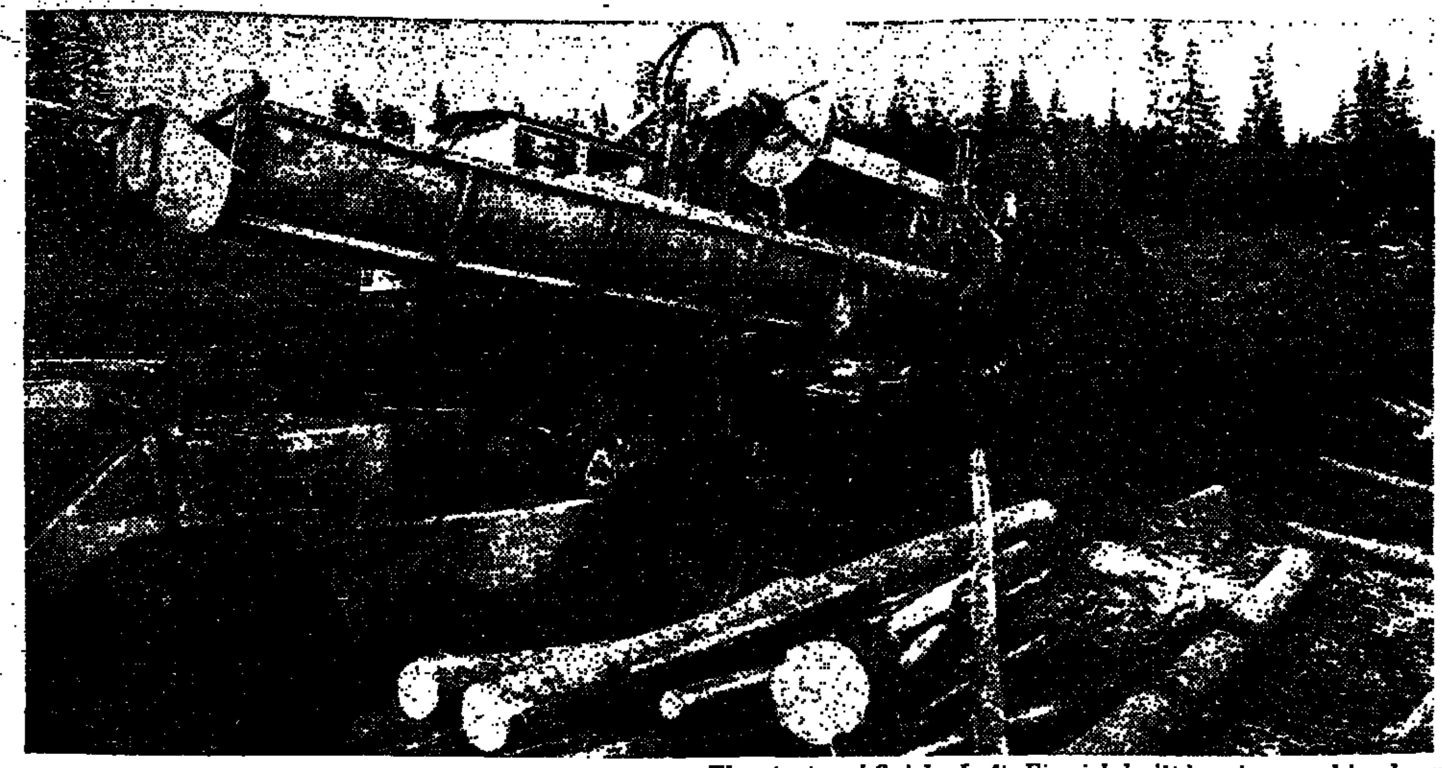
BALANCE OF PAYMENTS ON CURRENT ACCOUNT

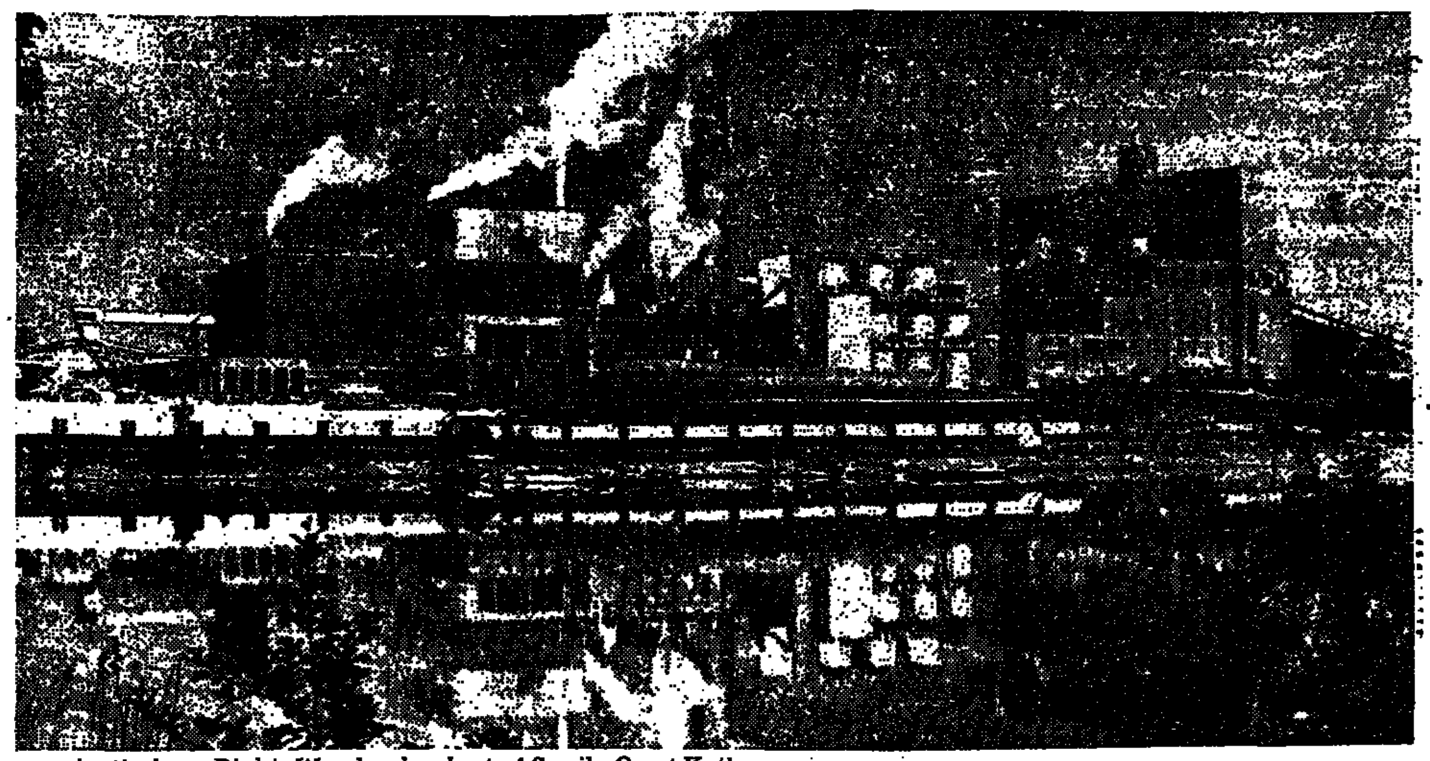
	1977 (FMm)	1978	1979	1980	1981
Merchandise exports* (+)	30,805	35,068	43,302	52,650	56,600
Merchandise imports* (−)	30,961	32,600	44,523	58,500	62,900
Trade account*	− 156	2,468	−1,221	−5,850	−6,300
Exports of services (+)	6,274	8,022	9,277	10,800	12,100
Imports of services (−)	4,024	5,054	5,720	6,500	7,400
Service account	2,250	2,968	3,557	4,300	4,700
Account of goods and services	2,094	5,436	2,336	−1,550	−1,600
Other current transactions†, net	−2,674	−2,830	−3,146	−3,450	−4,500
Current account	− 580	2,606	− 810	−5,000	−6,100

** Incl. merchandise trade adjustment items; † Factor income and unrequited transfers.*
Source: Ministry of Finance

BASIC STATISTICS

Area	337,000 sq. kms.
Population	4.76m
GDP	FM 160.81bn
Per capita	FM 33,784
Trade, 1980: imports	U.S.$13.5bn
Exports	U.S.$12.9bn
Trade with UK, 1980: Imports	£525.5m
Exports	£793.2m
Imports by area, % share: OECD	62.1
OECD Europe	52.1
EFTA	17.6
EEC	33.4
Comecon	24.7
OPEC	7.9
Exports by area, % share: OECD	69.0
OECD Europe	63.7
EFTA	23.5
EEC	38.6
Comecon	20.0
OPEC	4.4
Inflation, 1980 average	11.6%
Foreign exch. reserves	U.S.$1,667.7m
Currency, Finnish mark	£1=FM 9.077
Unemployment, Nov. 1980	117,000, or 4.9% of labour force





The start and finish. Left: Finnish-built logging machine harv ests the timber. Right: Wood pulp plant of Sunila Oy at Kotka

Trade barometer set fair for forest products

PULP AND PAPER INDUSTRY

WILLIAM DULLFORCE

THREE YEARS AGO the Finnish pulp and paper companies were still reeling from a recession which had seen them working at 65 to 75 per cent capacity and had left most of them with debts considerably in excess of their annual turnovers. "How are we to find the capital for maintenance and replacement, let alone for expansion?" company chief executives lamented.

Today, the situation is transformed. The mills have just experienced two years of strong export demand, good price development and near-capacity utilisation. On the paper front alone companies have announced firm plans to invest well over Fm 4bn ($1bn) in new capacity over the four years to the end of 1983.

Nine major projects will raise paper capacity by 900,000 tonnes, bringing an extra 465,000 tonnes of newsprint production on stream and adding 185,000 tonnes to magazine printing paper capacity. The industry's resilience has been demonstrated once again.

What has brought about this fast recovery? In part it has come from the delayed but rapid swing of the pendulum from 1978 in demand for pulp and paper from the Finns' main market in Western Europe. But there have also been political reasons.

Incentives

The industry has received incentives in the form of tax concessions. It has been able to lay off workers and slim overheads. Wood supplies have been assured — again through tax incentives — and the possibility even of an increase in the wood available has been opened up.

Most important, perhaps, has been the attitude of the last two coalition governments, both of which have given priority to industrial expansion. It took time for the psychological impact of this change in official policy to take effect but, in combination with the strong market demand of the last two years, it has now boosted business confidence and prompted a new wave of investment.

Are the Finns overdoing it? Some economists fear that the mills may be repeating the "mad" rush to invest in new plant of 1973 and 1974, which left the industry with too great a production capacity when the downturn came in 1975.

Modernisation

The companies see it differently, although one has decided after all to postpone an investment in capacity to produce more wood-free paper. After being unable to invest at all for three years, most company boards feel the need to spend on both modernisation and some expansion, in order to remain competitive.

They can find arguments. Demand for pulp and paper remained unexpectedly firm during 1980, the decline in orders coming later than anticipated. The present market weakness is not this time accompanied by heavy stocks at either the producer or consumer ends and could pass more quickly than the deep recession of the mid-1970s.

The need to meet the increased bill for oil imports from the Soviet Union has led to higher exports of paper, board and pulp to that country. The value of forest industry exports to the Soviet Union almost doubled last year and, although they still make up only 13.6 per cent of the industry's total exports, they help to stabilise the *fluctuations from the main* markets.

Finally, when surprise is expressed that companies whose profit levels are still modest and debt gearing high—at least by American standards — can invest so strongly, the Finns disarmingly reply: "We have no choice." An industry which still provides over 40 per cent of the country's export income has to remain effective and competitive, they argue.

The expansion of Finnish paper capacity has raised the eyebrows of some EEC paper makers, notably the French. They fear that the Finns will be processing more of their wood pulp, leaving less for exports to their Continental customers and that Finland's new highly-efficient paper plants will make life even more difficult for hard-pressed European paper makers.

The main thrust of the Finnish expansion is into newsprint and other wood-containing papers—a logical development in making the most efficient use of the country's limited wood resources. More doubtful from the *Continental and British* point of view is the investment in wood-free grades, which will move into a more sensitive market.

But the major concern of many Common Market paper makers is the future wood pulp supply. Although North American mills now meet close to half the needs of Western Europe, many paper makers still rely on deliveries from the Nordic countries.

The Finns have always sought to reassure their European customers and still do. "We *see no drastic changes in market pulp supply* from Finland over the next five years," says Mr. Torsten Nykopp, managing director of Finncell, the sales organisation for the pulp exporters.

He expects to have a total annual supply of about 2m tonnes available during the next three years and envisages that Finnish pulp capacity could be as much as 900,000 tonnes higher in 1985. This is based on the assumption that 29m cubic metres of pulpwood can be available in 1985 compared with the 25m cubic metres used in 1980.

Assumptions

The expansion in Finnish paper capacity would not absorb all the 4m cubic metres of wood pulp. But among the assumptions which have to be fulfilled before Finnish capacity is increased is a vital one concerning price.

As Mr. Nykopp puts it: "At a price of $545 a tonne for bleached sulphate pulp, for sure nobody is planning to invest in expansion." The likelihood anyhow is that most of any increase in Finnish capacity would be in mechanical pulp.

According to Finncell's statistics, Finland exported 1.88m tonnes of market pulp last year, an increase of 1.7 per cent from the previous year. Of Finncell's own exports of 1.54m tonnes two-thirds went to Western Europe with Britain taking 225,000 tonnes and remaining the largest purchaser.

Sales during the first three months of this year have been about 10 per cent less than in the last quarter of 1980, but *Mr. Nykopp believes the trend* will not continue downwards during April-June and could even improve. The pulp market could be fairly tight in many grades towards the end of the year, he predicts.

Finland's production will be down this year but for the past two years the mills have been operating at 95 per cent of capacity or more and many would welcome time for maintenance. Thus, the outlook for Finnish pulp sales remains good and Mr. Nykopp expects the market to show "a fair balance between supply and demand" for the next two or three years.

On the paper side opinions are more divided. The optimists argue that the outlook for the U.S. economy is promising and that American developments will influence world demand. Pessimists look to the OECD forecasts for economic growth in Western Europe and adduce that the tight monetary policies being pursued in those *countries will slow down the* growth in paper consumption.

The order inflow for all grades has been lower this year but the market has not slumped as deeply as most companies had anticipated and there have been no signs of "hoarding" by customers, a phenomenon which appeared in 1975 when users sought lower grammages and trimmed paper sizes.

Finnpap, the paper mills' association, assuming that there will be a slight decline in exports this year but prices should remain firm. The development in wood-free papers is expected to give the first indication of the way the market is moving: demand has been weak but there have been some hints that a recovery is on the way and that prices may move up.

The forest industry as a whole continued to perform strongly for the second year in a row in 1980 and companies have been reporting further profit growth. Output of sawn goods reached 9,600 cubic metres, an advance of just under 7 per cent from the top annual figure reached in the previous year, according to preliminary statistics from the Central Association of Finnish Forest Industries.

Exports of timber and other wood products brought in a revenue of FM 7.64bn, or 22 per cent more than in 1979. The value of pulp, paper and board exports climbed by almost 21 per cent to FM 15.3bn. Pulp exports grew by 3.7 per cent and paper exports by 4.7 per cent in volume. The volume of paperboard sales slipped by 5 per cent *but these comparisons are with* the very high level reached in 1979.

The state of the Finnish forest industry is thus fairly satisfactory. The volume of exports may decrease in 1981 but the indications are that the downturn may prove to be neither prolonged nor deep. Much depends on developments beyond the Finns' control, in particular on the North American pulp and paper market.

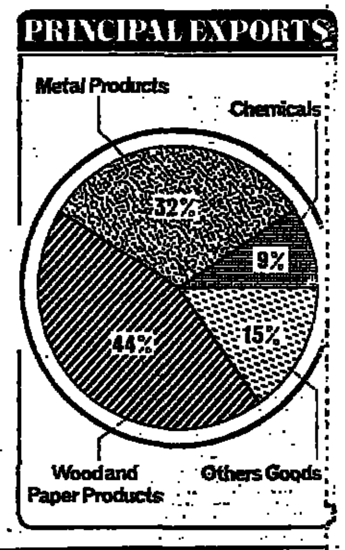
The anxiety with which Finnish executives watch developments in the U.S. and Canada is *due not only to these countries'* dominance of world trade in pulp and paper but also to the knowledge of the financial strength of the North American companies.

Despite the good profits the Finnish companies have been earning in the last two years, their debt gearing is still high. In the long term this could again be a source of weakness.

Previously, the final remedy for a loss of competitiveness by the forest industry has been to devalue the Finnmark. But the harmful effects of a devaluation on the rest of the economy weigh more and more heavy as the economy becomes more diversified.

In the meantime, the strengthening in the value of the U.S. dollar is doing no harm to the *competitiveness of the Finnish* mills and the trade barometer is still set fair for the industry as a whole.

PRINCIPAL EXPORTS



CHEMICAL WOODPULP PRODUCTION

	Tonnes, *1980*	Tonnes, *1979*	% change, *1980/1979*
Total production	4,606,288	4,509,041	+2.2
Capacity utilisation rate %	98.0	97.5	
Paper grades, total production	4,311,042	4,245,263	+1.5
Capacity utilisation rate %	98.1	98.0	
Total market pulp production	2,238,427	2,186,820	+2.4
Capacity utilisation rate %	96.1	94.7	
Paper grades, market pulp production (including integrated exports)	1,957,771	1,922,766	+1.8
Capacity utilisation rate %	96.7	95.4	
Deliveries of market pulp	2,268,497	2,234,042	+1.5
Dissolving and special sulphite	282,295	269,705	+4.7
Paper grades woodpulp	1,986,202	1,964,337	+1.1
Exports of market pulp	1,873,651	1,842,679	+1.7
Dissolving and special sulphite	245,185	229,286	+6.9
Paper grades woodpulp	1,628,466	1,613,393	+0.9

Source: Finncell.

INVESTMENTS IN NEW PAPER MACHINERY

	Capacity (tonnes)	Date of Completion	Investment (FM m)
Newsprint			
Rauma Repola	160,000	October, 1980	425
Kajaani	160,000	May, 1982	650
Tampella	150,000	April, 1983	900 (whole project)
Wood-containing writing and printing papers			
Enso-Gutzeit	90,000	July, 1981	90
Yhtyneet	140,000	end of 1981	700
Metsaliitto	33,000	September, 1982	150
Wood-free papers			
Enso-Gutzeit	120,000	May, 1982	250
Kymi Kymmene	125,000	October, 1982	500
Lightweight coated papers			
Kaukas	150,000	September, 1981	500

Source: Central Assn. of Finnish Forest Industries

PAPER AND BOARD EXPORTS

	1979 Volume (tonnes)	1979 Value (FMm)	1980 Volume (tonnes)	1980 Value (FMm)
Paper, of which	3,521,166	6,611	3,687,780	7,666
Newsprint	1,393,103	2,200	1,431,925	2,420
Printing and writing paper	1,616,506	3,229	1,750,319	3,868
Kraft paper	320,354	613	314,125	720
Other paper	191,401	570	191,401	658
Paperboard	1,163,465	2,091	1,104,496	2,373

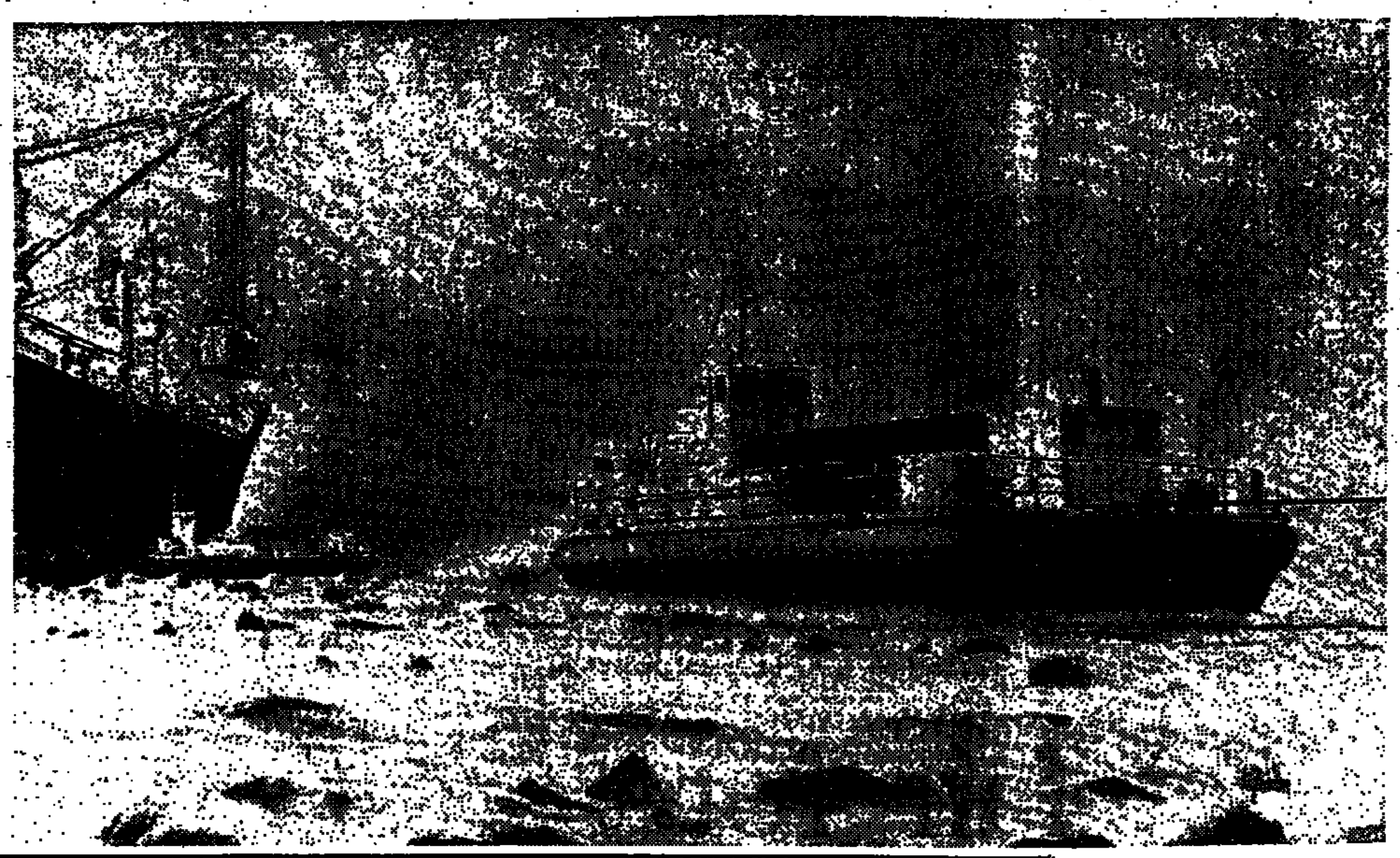
Source: Central Association of Finnish Forest Industries.

Soviet order for nine air-cushion vehicles

A CONTRACT for nine air-cushion vehicles (as indicated, right) has been signed in Moscow between V/O Sudoimport and Wärtsilä, the Helsinki shipyard. Deliveries are to take place in 1982 and 1983.

The air-cushion vehicles, which represent a new line of production for the builders, are based on a Soviet licence. The vessels are designed for cargo transfer in Arctic regions, where they will operate with nine ice-breaking multi-purpose ships which were ordered earlier from Finnish yards.

Wärtsilä began investigations in 1976 into the difficulties of cargo transfer in the Arctic. These problems are created by lack of harbour facilities, difficult ice conditions and shallow coastal waters.



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A growing range of electrical products

IT IS difficult to estimate the share of the electrotechnical industry in the total production and exports of Finland's metals sector. According to Mr. S. Bollmann, managing director of the Federation of the Electrical and Electronics Industries, "it spreads like a cancer" into almost every product, from household goods to the large icebreakers that generate enough electric power to light a small town.

This branch, he states, is one of the oldest in its line in the world. Atromberg, which makes transformers and other heavy electrical equipment, will shortly celebrate its 80th anniversary. The first Finnish-made wireless sets were assembled in 1924, the first black and white TV sets in 1956 and the first colour TV sets ten years later. Salora is a company well known to British TV rental companies.

The biggest product line is electric cables and wiring—thanks in part to the availability of high-grade copper mined and processed in Finland. These products account for about a quarter of total output by value of the industry. Nokia is the leader in this field in Finland and has helped with the electrification of a large number of villages and towns in Egypt. Even more important is the fact that it is the second biggest manufacturer of cable-making machines in the world, and may well become No. 1 within this decade.

Big Three

"There are three big companies in our sector in Finland," says Mr. Bollmann. "LME, Siemens and ITT." But then come Nokia, Televa and Telefonno. Televa is a State-owned company manufacturing industrial power equipment, industrial electronics and tele-communications equipment. It is also a company which illustrates the tendency for the private and public sectors to co-operate in capital-intensive sectors. Nokia joined with Televa in establishing Telefonno to coordinate the telecommunications products of both companies. Unfortunately Televa now seems to be suffering from a lack of capital and may be seeking some outside partner—maybe Nokia, maybe one of the multinationals.

Another problem of the past two years has been Valco, established by the State to produce TV components. It should never have been established in the first place. The decision was a political one, fathered by the Social Democratic Party and was never viable from the start. Hitachi of Japan came in as a minority shareholder, together with Salora. Despite a rescue effort in 1980, Valco went bankrupt at the end of the year. But, apart from these two problem children, the situation is looking satisfactory in the industry.

One of the assets of the electrotechnical branch is its flexibility. Companies can change their production lines to meet market fluctuations fairly quickly. Prospects look good; order books are relatively fat (orders in hand suffice for about eight months' output at present) and the trend is a rising one. In fact demand has outstripped capacity. Exports increased in 1980 by 33 per cent to FM 2.82bn ($7m). The main marketing areas in order of size were EFTA, Comecon and the EEC.

Facing up to a severe squeeze

BANKING

HILARY BARNES

THERE ARE Finnish bankers who suspect that the Bank of Finland, the central bank, takes a sadistic pleasure in inventing new tricks with which to tease the banks each time a credit squeeze comes around. This time the banks feel that they are being squeezed as never before, although the Bank of Finland says this is not true. The 1975 squeeze was not only tougher but more sudden. However, a few small local banks may at present be experiencing losses as a direct result of the squeeze. At the moment 1981 looks like being one of the years the banks will wish to forget.

In Finland the central bank plays a very independent role. It is not even banker to the Government and because of the political set-up, with short-lived governments and broad coalitions where the decision-making process is cumbersome, the bank has a vital stabilising role to play in the conduct of economic policy.

It began to change its monetary policy stance 15 months ago in the face of accelerating inflation and the deterioration in the current balance of payments position. The discount rate was raised by ¼ per cent to 9¼ per cent in February last year. Cash reserve deposit ratios were raised over the year from 3.2 per cent to 4.6 per cent and penalty rates were introduced for banks exceeding central bank credit quotas in the call money market, the Bank of Finland's main instrument for controlling credit expansion. At the upper limit the penalty rates are now 22½ per cent. Penalty borrowing cost Kansallis-Osake-Pankki about FM 36m last year and Union Bank, the other main commercial bank, even more.

Precaution

Two additional measures are complicating bankers' lives. The Bank of Finland has placed ceilings on foreign currency trade credits awarded by the banks. The measure was a precautionary one against a possible Swedish devaluation and in case of a devaluation would have limited pressure on the Finmark. It was not intended to have macro-economic effects but has caused a limited increase in demand for FM credits, which under present conditions the banks would rather be without.

The Bank of Finland has also presented the banks with a medium-term schedule for reducing the average rate of interest charged on lending. The motive for this is that margins between rates on lending and deposits have crept up over recent years and the central bank wishes to restore the previous position.

But at a time when profits are being squeezed, the banks are unhappy although the amounts of money involved in 1981 will be relatively small. The margin reductions differ from bank to bank but Skopbank's end-1980 ceiling was 10.3 per cent on advances and by June 1982 it has to be reduced to 10.1 per cent. The maximum rate which banks may provide on deposits is 12¼ per cent.

The three biggest commercial banks—Kansallis and Union, each with assets in the region of FM 24bn and Helsinki Bank, with assets of about FM 4.3bn—and the State-owned Postipankki (which is banker to the Government), with assets of over FM 15bn, are less exposed to the effects of the squeeze than the savings and co-operative banks as they earn only about half their income from interest payments. The savings and co-operative banks earn about 80 per cent of their income from interest and it is some of these which are feeling the pinch and reportedly even making losses.

Mr. Christopher Wegelius, general manager of Skopbank, the central bank of the savings banks, said that the situation could lead to an acceleration in the structural rationalisation of the savings and co-operative banks. There are about 275 savings banks and 370 co-operative banks and although there have been regional mergers over the past 10 years there is still plenty of room for further rationalisation.

The tight monetary policy affected bank results last year. Union Bank's profits declined by 30 per cent to FM 172m. KOP reported an increase of FM 16m to FM 161m, but the 1979 figure had been held down by an exceptional pension fund allocation.

Finnish capital markets have some curious features, but seem to work reasonably well. It is characteristic for the system that the banks play a major role in industrial financing.

There is virtually no market for corporate bonds (the last one was issued in 1974) because the interest rate on bonds is 11½ per cent. Bank lending rates are lower at around 10 per cent.

The share market, though not entirely moribund, is discriminated against because dividends are taxed at the standard rate of income tax (except for a tax deductible dividend income of a maximum of FM 1,700), while interest on bank savings deposits and bonds are not taxed.

The result of this system is that bank savings accounts are popular, and as banks also provide mortgage finance, savings accounts are virtually obligatory for Finnish would-be home buyers. The level of savings as a proportion of the Gross Domestic Product is high, at around 26-27 per cent, and the corporate sector relies heavily on the banks for medium-term finance.

Over 50 per cent of commercial bank credits go to the corporate sector and in Postipankki's case about 70 per cent. Much the bigger part of this is medium-term finance and only 5-6 per cent consists of overdrafts. Long-term finance for the corporate sector is obtained from insurance companies, pension funds and mortgage credit institutes.

While the system of monetary control is effective, there is a debate going on as to whether the authorities could maintain similar stringent controls if foreign banks are allowed to set up in Finland. One suspects that this is all part of a propaganda barrage put up by the Finnish banks, supported by bank employees to persuade the authorities not to allow foreign banks into Finland (at present Citibank and Hambros have representative offices in Helsinki).

Under the Banking Act which came into effect on January 1 1980 the authorities may permit foreign banks to set up. Several banks, among them Citibank, have suggested that the authorities should activate the option which the law has made available to the Government, which is now working out the conditions under which foreign banks should be allowed to establish subsidiaries. By the time this survey is in print, the Government may have given the verdict, which is expected to be favourable to the foreign banks.

The Finnish banks, busily setting up abroad themselves, would rather be without the foreign competition, although opposition is not uniform.

Mr. Gustav Mattson, of Helsinki Bank, said that although there is no immediate advantage to the Finnish banks in increasing the competition, the foreign banks could bring innovations which would be of long-term benefit.

Donkey work

Other bankers feel that foreign banks will cream off the most lucrative business but leave the essential donkey work to the Finnish banks, which pride themselves on their sense of social responsibility to clients and clients' employees in times of trouble. They ask whether foreign banks would be either able or willing to accept their share of the burden.

The Finnish banks also have to provide mortgage credit and student loans, with the latter especially not always good business. These are fields in which small foreign banks neither could nor would participate and this, the Finnish bankers feel, would give the foreign banks an unfair advantage.

The question of how the presence of foreign banks might affect the conduct of monetary policy is rather esoteric, but a common assumption among the doubters seems to be that the Bank of Finland would be less able to put the screws on a foreign bank than on a domestic bank because the foreign banks would not have quotas in the central bank call money market. The Bank of Finland, however, has considered the matter carefully and does not have any qualms on this score.

The Finnish banks, meanwhile, are internationalising rapidly.

Jostipankki, together with the insurance company Pohola, with a 10 per cent share, and Bank of Aland (2.5 per cent), have just opened a subsidiary bank, PSP & Co., in London. It received its licence as a deposit-taking institution at the end of last year and opened its doors for business in January. It is the first wholly-owned Finnish subsidiary in London.

Helsinki Bank is in the process of entering into a joint venture by which it and Sundsvall Bank, the Swedish regional bank, will each acquire 20 per cent and Dow Banking Corporation the remaining 60 per cent in a bank formed on the basis of Dow's London branch.

Skopbank has a representative office in London and is also looking at a joint venture arrangement with a U.S. or UK company, said Mr. Wegelius.

The Finnish banks are moving abroad in order to follow Finnish companies, which rather later than their Nordic counterparts are also internationalising rapidly and in sufficient numbers to make it worthwhile for the banks to go it alone rather than to follow the consortium pattern. But Union Bank and KOP, of course, participate in the established Nordic consortium banks and also have their own subsidiaries in Luxembourg. Union Bank also has a subsidiary in Singapore.

Services

As Finnish banks cannot compete on interest rates, they compete on services and image-building: competition is aggressive and intense. Union Bank stole a march on KOP when it signed up the great Olympic runner Lasse Viren to run the bank's sports training programme, a move which has left KOP still smarting. It is true that KOP sponsored the Finnish winter Olympics team, but no other sportsman has Viren's star quality.

The intensity of competition was reflected last year in the rush to introduce bank cards. The object of the exercise is to reduce the number of cheques and the quantity of paper going through the system, but the fierce competition prevented sensible co-ordination of efforts among the banks, which all rushed out with their own cards, several of them for each bank, and these cards could not be used at other banks or in other banks' cash dispensers. "The customers were irritated, justly," said Mr. Mattson. "If the banks had taken it more easily we could have been more organised and saved ourselves a lot of money."

The cards were issued in such a rush that the stores where the cards were supposed to be used were not properly informed about them and did not always know what the bits of plastic were supposed to signify, a confusion which was understandable with the multitude of cards which suddenly appeared. Each bank seems to have at least four cards, including a card for use in cash dispensers, one for use in banks, one for specific stores and one for use in hotels and restaurants.

The charge cards are not credit cards, as bills must be fully paid as soon as they are presented, which is usually within two to four weeks. Credit cards proper, such as American Express, are, however, now usable by Finns in Finland, although until 1979 their use was restricted to Finns abroad and foreign visitors in Finland.

The big three commercial banks have arranged that from this month on each other's cards can be used interchangeably between the banks and in each other's cash dispensers. The savings banks and co-operative banks also have a co-operation agreement. "Every sensible person believes that we should arrive at a situation where the cards can be used universally," said Mr. Wegelius, "but it will take time to agree."

There are now over 200 cash dispensers in place, 100 of them established by Union Bank, about 60 by KOP and 40 by Skopbank. They are also known as automatic tellers, because they check an account before issuing the cash required. In future the tellers will be able to handle transfers from one account to another.

SALARY EARNINGS AND LABOUR COSTS PER UNIT OF OUTPUT

	Percentage change 1977	1978	1979	1980	1981
Index of negotiated wage rates	5.3	4.4	9.8	9.4	—
Wage drift, etc.	3.2	2.3	1.6	2.4	—
Index of earnings level*	8.5	6.7	12.3	11.8	12
Real earnings†	−3.7	−0.8	3.6	0.2	1¼
Average earnings‡	7.9	7.1	12.3	11.9	12
Labour costs per unit of ouput whole economy§	7.5	2.5	6.9	11.4	10
of which: manufacturing	7.5	−0.4	4.5	10½	9½
Households' real disposable income	−1.4	4.1	6.1	2½	2

*Not including the post-vacation return-to-work benefits; † The index of earnings level divided by the consumer price index; ‡ Computed by dividing the national wage and salary bill by the number of employed wage and salary earners. The figures are affected by all structural changes in the economy, and the influence of the post-vacation return-to-work benefits is also reflected by them; § The index of wages, salaries and employers' contributions to social security divided by the volume index of production.

Source: Ministry of Finance

Long-term prospects look good

THE METAL INDUSTRY

HILARY BARNES

THE FINNISH metalworks have enjoyed two good years. As Mr. Lauri Poyhonen, managing director of the private steelmaker Ovaco, has said, this was not enough to provide the funds required for future investment at the level really required, but the Finnish metals industry is nevertheless confident that it will be able to do very well in the future.

The industry has several advantages over many of its European rivals. An important one is its integral structure through from ore mining to production of the metal and metal products and the high degree of engineering know-how which the industry thus possesses at all stages of production. This forms the basis of an important know-how export business.

Another point is that the industry made important investments in the 1970s, which means that plant is modern, often ranking with the best in Europe. As there is so much old and uneconomical plant in the steel business in Europe, the Finnish steel producers believe that when demand recovers they will be very well placed to take advantage of the recovery.

Products

The Finnish metal industry is centred around three companies, the State-owned Rautaruukki, which produces steel plates, sheets, pipes and beams; Outukumpu, also State-owned, which is an important stainless steel producer but is best known for its copper production and is associated with pioneering developments in copper production technology; and finally Ovaco, privately owned, which produces "long" steel products and special steels.

Total steel production in Finland last year was about 2½m tonnes, of which about two-thirds was produced by Rautaruukki. The company sells about 85-90 per cent of its products to the domestic market, notably the shipbuilding industry — which alone in Europe is now working at full capacity, assuring Rautaruukki of a good market.

With falling steel prices, however, the company's 1980 results, so far unpublished, were below those of 1979 — although they are described as "satisfactory." In 1981 steel consumption in Finland is expected to flatten out and Rautaruukki's financial results to deteriorate.

Proof of Rautaruukki's efficiency is its export success. Exports account for about 35 per cent of the FM 2.3bn turnover, and one of the more remarkable features is the company's ability in recent years to penetrate the Swedish market, where its sales last year were about FM 150m.

An important development of the private steel industry was carried out in 1979 when Ovaco acquired the steel-making interests of three other producers — Fiskars, Wartsila and Lohja. "The new combination was successful. We have gone a long way to reorganising and rationalising the branch and made a good start," says Mr. Poyhonen.

The past two years gave satisfactory results, though in 1980 they were below 1979. But after maximum depreciation and allocations to reserves there was still a net profit—"which is not common in the European steel industry," notes Mr. Poyhonen.

This year is expected to be a difficult one, and a point which is worrying Mr. Poyhonen is dumping on the Finnish market by European producers.

While Finnish producers are subject to minimum price restrictions in the EEC market, there are no similar rules for exports to the Finnish market. "We are on the lookout for evidence of dumping and if we find any real evidence we shall complain," says Mr. Poyhonen.

Ovaco's turnover in 1980 was FM 1.2bn of which exports accounted for FM 518m. Production was 732,000 tonnes of crude steel—down from 778,000 tonnes in 1979—503,000 tonnes of rolled products and 65,000 tonnes of steel products.

At its Koverhar steelworks Ovaco has developed sophisticated production control techniques which have enabled it to reduce energy consumption in its blast furnaces to what is claimed to be the lowest level per tonne of steel produced in the world. At the same time the process guarantees a high uniformity of quality. The company has been able to establish export of know-how in this field

The non-ferrous metals industry in Finland is Outukumpu, which mines copper, zinc, cobalt and ferro-chrome. Its main output is copper, nickel and stainless steel. It is a leading company in metallurgical technology. Its copper flash smelters, introduced in the fifties, are used world-wide.

Although demand slowed down at the end of last year, it was a good one for Outukumpu. Production of stainless steel increased from 61,000 tonnes to 78,000 tonnes. The Tornio stainless steelworks, opened in 1976, was built with a planned capacity of 50,000 tonnes, but by increasing efficiency of plant utilisation a 50 per cent increase in capacity has been achieved.

Copper production at about 50,000 tonnes and zinc production at 147,000 tonnes showed little change from 1979. Turnover increased by 20 per cent to FM 2.7bn, with 71 per cent of this accounted for by exports.

At the mining end of the operation the first interesting copper-nickel ore find for some years was made in 1980 in south-east Finland. The zinc content is about 1 per cent and the copper content 0.3-0.4 per cent, but it is thought that it will prove economic to mine the ore—an important matter for Outukumpu. The company will begin to run short of copper in the course of this decade if new finds are not exploited.

On the export side the company enjoyed a breakthrough for its ferro-chromium production methods developed at Tornio. Three of the four ferro-chromium plants ordered in the world last year went to Outukumpu, alone or in joint ventures.

Developments

The company also sold the first units of another new product, fluidised bed-roasting of peat, by which peat is converted for use as a fuel for district heating and power generation in plants with a capacity of 10-50 MW. Two plants were sold in Finland last year and there are hopes that other peat-rich countries will buy the process as well. Finland plans to increase peat production in the 1980s from 10m cubic metres to 30m cubic metres, to provide from 2 per cent to 6-8 per cent of energy consumption.

Another important new development which has not yet reached the market is a lead flash smelter in which copper flash smelting techniques have been adapted to the other metal. So far the process is only being used in a pilot plant and no attempt to market the product will be made until there is certainty that the product is guaranteed of success. The company has high hopes for the venture.

With its long tradition of technological advance and several new products coming to the market, it is not surprising that Outukumpu is a company which exudes confidence. "We are confident and expanding and our long-term prospects are very good," marketing developments manager Onni Malinen puts it—perhaps a trifle immodestly.

Exports of pulp and paper machinery earn Finland about $250m a year. Machine manufacturers are emphasising the improvements in efficiency and profitability which can be obtained by rebuilding and renovating older plant

Engineering sector escapes recession

THE FINNISH metals and engineering industry is not expecting to suffer a recession, except in one or two individual branches. That is as expected and planned. It was hoped that this sector of Finland's dominating, but cyclically very sensitive, forest products sector.

The market for sawn goods, pulp, paper and board seems to be slackening, but for the metal sector prospects are still bright. Coin, however, is that lack of investment in production capacity increases may tend to retard growth over the next couple of years.

Because of limited productive and economic resources, the problem for the metal sector has been its inability to compete over the whole range of the industry. But this negative feature has also yielded a positive advantage: The sector has had to concentrate on specialities with a high input of technological know-how, high quality, reliable deliveries and modern production methods—the last-mentioned being no particular problem because the sector is, so-to-speak, a "Johnny come lately." Alongside that, the sector has in some branches—for instance machinery for the pulp and paper industry, ships for navigation in ice, electrotechnics and transport—long been among world leaders.

Another branch that has shown strong expansion is materials handling equipment, lifts, cranes, harbour trucks, etc. In this category might be included farm and forest machines and equipment for the mining industry.

The biggest branch on the transport side is shipbuilding, again in highly specialised and sophisticated vessels. Over half the icebreakers now in use in the world were built in Finland. The country has also built oil-drilling ships and hovercraft for Arctic conditions. Whether oil-drilling rigs are ships or not is a moot point but Finland has already delivered about 10 units, mainly for the North Sea area. Luxury cruise liners also deserve special mention as Finland seems to be leading the world in buildings this type of vessel.

The transport branch, together with machinery and basic metals, has accounted in the past few years for approximately threequarters of the value of Finnish metal and engineering exports. The remaining quarter has comprised electrotechnical and other metal products.

Exports are distributed fairly evenly between the trading areas, with EFTA taking some 30 per cent, the EEC 24 per cent, Comecon (mainly the Soviet Union) 26 per cent and other countries 20 per cent. The leading individual buyer countries are the Soviet Union, Sweden, West Germany, Norway and Britain. These are all fairly close to Finland. But the Finns are now actively seeking trading in more distant countries and report promising results in North and South America and the OPEC countries of the Middle East.

LANCE KEYWORTH

MAIN FINNISH INDUSTRIES

	Gross value of production (FMm)	%	Labour force	%
Metal and engineering	27,536	24	175,000*	34
Wood and paper	24,426	22	98,700	19
Textiles	6,114	5	62,800	12
Food	18,665	16	52,500	10
Chemicals	14,034	12	36,200	7
Others	23,075	21	89,100	18
Total	113,850	100	514,800	100

* Includes mining, electrical and transport equipment sectors.
Source: Federation of Finnish Metal and Engineering Industries; 1978 figures.

Big orders for paper machines

FINLAND'S PULP and paper machinery manufacturers have recently been emphasising their ability to rebuild and modernise existing plants. Their order books are still good, their work load substantial and there has been some investment in expanding production capacity, but in the past few months the number of customers enquiring about new machines has fallen.

The TVW Paper Machine Group—jointly owned by Tampella, Valmet and Wartsia—estimates, for instance, that its order book is currently worth about $500m, or the same as in June last year. It has about 20 major projects on order for delivery over the next two years.

These include some big orders from North America and the FM 300m contract obtained by Valmet last August to deliver equipment for the third stage of the giant Soviet pulp and paper combine at Svetegorsk. This comprises one of the fastest and widest fine paper machines in the world, with a wire width of 9,250 mm for a mill which is planned to produce 160,000 tonnes a year of wood-free printing paper.

Earnings

Price levels and earnings have been "satisfactory" according to the TVW Group but the investment boom which got under way in the domestic paper industry in 1979 is slowing down and the hopes for new machinery orders from the West European market have been disappointing.

In this situation the Finnish manufacturers have shifted their approach to stressing the improvements in efficiency and profitability which can be obtained by rebuilding and modernising plant. This strategy is regarded as particularly applicable to Britain and France, which have been discussing plans for renovating their paper industires for years.

Last month the TVW Group held seminars in Manchester and London for the technical managers of British mills to outline the possibilities of upgrading existing machines. Among the new developments presented was a twin-wire former from Tampella for use in board manufacturing.

Markets

Exports of pulp and paper machinery currently earn Finland about $250m a year, to which can be added orders for logging and other forestry equipment. The principal markets are the Nordic area, North America and the Soviet Union, but Finnish manufacturers have been trying to launch their products in other areas with varying success.

The project by the TVW Group to start an engineering workshop at Campinas in Brazil along with local investors has not yet materialised although the Finns are "continuing talks." The Kamyr Company, jointly owned by Ahlstrom, Sweden's Johnson Group and the Kvaerner concern of Norway, operates a pulp machinery plant near Sao Paolo; Rauma Repola under a co-operation agreement with Beloit of the U.S. has established a pulp machinery manufacturing base with a Brazilian partner.

In Australia the TVW Group has delivered a new machine to Australian Newsprint Mills, has completed some rebuilding jobs and is at present negotiating others. Efforts by both the TVW Group and Ahlstrom to open up the Japanese market have still to be consolidated.

WILLIAM DULLFORCE

Welcome for foreign investors

FINLAND'S RAPID growth in the past two years has made the country an interesting proposition for foreigners wishing to do business there—although it must be noted that in 1979, the last year for which figures are available, direct foreign investment in Finland actually decreased by about FM 40m to FM 106m, the lowest level since 1973.

Finland welcomes foreign direct investment—but with the reservation that it cannot be made in the raw material—using industries such as mining, forestry and wood-processing. Most of the companies setting up in Finland are sales rather than manufacturing operations.

For all practical purposes, setting up in Finland for a foreigner involves establishing a limited liability company, a process which requires the permission of the Ministry of Trade and Industry and normally takes three to four months. The minimum share capital is FM 15,000 and further financing by parent company loans or parent company guarantees for Finnish finance is available with the permission of the Bank of Finland.

Requirements

Finnish company law requires that the board of a foreign-owned company must contain a majority of Finnish nationals, usually in the ration of 3-to-1, and that the manager must be a Finnish national living in Finland. But with the permission of the Ministry of Trade exemptions to both these requirements are possible and are given fairly freely. Ministry of Trade permission is also required, and usually given, for foreigners to own all the share capital in their company.

All capital transactions with other countries, apart from short-term trade credits, require Bank of Finland permission. This covers repatriation of profits and capital, the raising of subordinate loan capital abroad and the acquisition of guarantees for raising Finnish domestic loans. The Bank of Finland does not impose restrictions, however.

Finnish corporate taxation policy is a complex subject with rules governing depreciation and under-valuation of stocks which make comparisons with other countries extremely difficult. But a Parliamentary committee which examined the problem in the mid-1970s concluded that Finnish companies pay tax at about the average rate among comparable countries.

The basic rate of corporate income tax is 43 per cent (in the case of Helsinki) to local government, with 1 per cent going to the church, but this is made after deduction of 60 per cent for distributed dividends.

HILARY BARNES

Rapidly growing export industry

CHEMICALS

HILARY BARNES

KEMIRA, the State-owned non-organic chemical industry company, recently completed modernisation of port facilities at Oulu on the west coast.

"We used to be able to lift products from the ships to our *factories. We needed to be able* to lift them from the factory aboard the ships," said Mr. Yrsö Pessi, Kemira's president.

The changeround sums up admirably the development of Finnish chemical production *which, within a relatively short* time, has become a major export industry.

The chemical industry's share of Finnish exports has risen from about 1 per cent in 1960 and 4 per cent in 1970 to over *11 per cent last year, when ex*ports increased by no less than 58 per cent in value to FM 6bn ($266m) — the volume increase was 35 per cent.

The chemical industry accounts for more than 13 per *cent of industrial output and* over 11 per cent of value added in manufacturing industry, shares which have almost doubled in the past 20 years.

About half of chemical industry production consists of oil refining and refinery products, 30 per cent of industrial chemicals, especially fertilisers, 6 per cent plastics and 14 per cent other products, which includes plastic products, pharmaceuticals, adhesives, paints and so on.

Industrial chemicals account for 40 per cent of exports, refinery products for 36 per cent and "other chemicals" for 24 per cent. Almost 70 per cent of the exports go to Efta and EEC countries, 19 per cent to Commecon countries and 12 per cent to other countries. But some 40 per cent of the group "other chemicals," mainly consumer goods such as soap, detergents and *pharmaceuticals, go to East*ern Europe, while 24 per cent of industrial chemicals go to non-European countries, with substantial fertiliser exports to Asia, Africa and South America.

Oil imports

Finland decided to build an oil refinery in the 1950s when it was realised that crude oil was one of the products the Soviet Union could supply to *balance trade under the bi*lateral trade exchange agreements. Today Finland imports about 7m tonnes of Russian crude and this could rise to 7½-8m tonnes a year, according to the five-year trade agreement with the Soviet Union.

Neste, is not in any doubt about the ability and willingness of the Soviet Union to continue to supply crude. Its other main supplier is *Saudi Arabia, from which* it received 2.8m tonnes under a long-term agreement last year.

Today Neste, with capacity for refining 15m tonnes a year, is a large integrated producer of petroleum and petroleum products with a 1980 turnover of more than FM 13bn, the only fully-integrated producer in the Nordic countries.

It does not have a retail distribution chain, however, which is left to the multi-national companies, including a Russian company.

Neste's refinery output in 1980 was about 12½m tonnes, including over 1m tonnes for the processing industry. About 1m tonnes of petroleum products were exported. Neste also produced about 140,000 tonnes of low-density polyethylene and over 50,000 tonnes of PVC. Exact figures for 1980 have not been published.

Neste prides itself on the efficiency of its production, shown both in the capacity utilisation at the refinery—about 85 per cent—and the high yield of lighter and more valuable products which average about 59 per cent of output, based on medium-heavy crude.

As Mr. Kai Heitarinta, senior vice-president, put it: "By combining the latest Western technology with good eastern crude our prices are certainly comparable with average European prices," adding that the Finnish *oil and petroleum products* industries are not protected by tariff barriers and are thus compelled to stay competitive.

Important

Finland's own production of low-density polyethylene and PVC (there is no production of high-density plastics) began in 1972 and formed an important base for the expansion of the plastic products industry. First, *in trade with the Soviet Union* it is a Finnish-imposed condition that products should consist of 80 per cent Finnish inputs. The development of a domestic feedstock industry therefore opened up a new market in the east.

Second, it gave a boost to the packaging industry, which takes 85 per cent of Finnish plastics. In low-density products Finnish consumption per capita is about 20 kg—double the European *average.*

This is explained by the way in which the Finnish forestry industry conglomerates decided to use plastics: not only in production of combined paper-plastic products such as milk *cartons,* but by making plastics a natural supplement to services they have always offered to their customers. For example, Rosenlew, the forest industries and engineering group based in Pori on the west coast, is today one of Europe's biggest suppliers of plastic sacks and soon will be a major sack supplier in the U.S.

Last year Rosenlew formed a joint venture with Rex Plastics Inc. for the production of heavy-duty plastic sacks and carrier bags in the U.S. The capacity of the plant in Thomasvile, North Carolina, will be 50m sacks a year in the first stage. Production begins this year.

There are about 150 members *of the Plastics Industry Associa*tion, which indicates a versatile industry. Most of the companies are small and many of them are family-owned, founded by entrepreneurial talents such as the ebullient Mr. Heikki Tavela, whose company, MK-Tuote, is one of world's leading producers of plastic piggy banks. In 1980 a production unit was started in Chicago.

Another example is Wiik & Höglund, which is the world's *biggest producer of large-*diameter, high-density polyethylene pipes, with production plant in Canada as well as in Finland.

Kemira, with a 1981 turnover of about FM 2.4bn, an increase *of 20 per cent from 1979, domi*nates the non-organic chemical industry. Its main products are fertilisers, industrial chemicsals (mainly sulphuric acid), titanium dioxide, explosives, viscous fibres and paints.

New departure

Within five years the share of Kemira's sales going for export have risen from 16 per cent to 36 per cent. A new departure *is* trade with the Soviet Union, which last year imported 50,000 tonnes of phosphoric acid from Kemira.

The other main factor in export growth is fertilisers. Until about four years ago Kemira did not export fertilisers; today it exports about 240,000 tonnes a year and expects soon to become the world's largest exporter of nitrogenous fertilisers.

A main reason for the growth of fertiliser exports is the production of phosphates, which began in 1979. The company is producing phosphates from low-grade apatite, for which Kemira developed a viable process of extracting the phosphates. In two years' time production capacity will increase from its present 250,000 tonnes to 500,000 tonnes. This is Western Europe's only phosphate production.

Kemira is a company with a lot of interesting plans. Headed by a professor in agronomy, Prof. Pessi, the company spends about 2 per cent of turnover on research, a high figure for a bulk products company. Current investigations include plans for peat-based ammonia and peat-based methanol.

If the ammonia-from-peat project is realised, it will mean that Finland's former dependence on imported inputs for its fertiliser production will be substantially reduced, and if another project materialises the fertiliser industry could become 100 per cent domestically based. This involves the extraction of potassium from flogopite found in the apatite mines. The potassium content is low, but Prof. Pessi said the company is hopeful of achieving successful commercial production.

Prof. Pessi leaves no doubt about his confidence in Kemira's future prospects, a confidence reflected in a FM 340m investment programme in 1980 rising to FM 450m in 1981. The company has developed a high degree of know-how in fertiliser production, which it has been able to sell abroad, and achieves a high degree of productivity in its fertiliser plant, which enables it to be extremely price competitive.

"In Finland we have the know-how. The Finns know much more than they realise. All they need is the courage to use it. We can produce the world's best products, but now we have to go out and market them." Prof. Pessi said.

The pharmaceuticals industry also has a remarkable growth record. In 1970 Finland imported about 60 per cent of its pharmaceuticals and produced 40 per cent at home. Today the figures have been reversed. Exports of pharmaceuticals only really began in a serious way in the 1970s, but today about 20 per cent of total production is exported. The value of pharmaceutical output increased by 17 per cent to FM 874m last year while exports increased by 35 per cent to FM 203m.

About half the exports go to Comecon countries, which is regarded as a natural market both for geographical and industrial reasons. The 13 Finnish pharmaceutical manufacturers took part in a major presentation in the Soviet Union in 1974. It turned out to be a very well-timed move, coming just as the Soviet Union had to increase imports from Finland to complement its oil exports.

Research work

According to Mr. Kai Fagerström, managing director of Farmos, of Turku: "Finnish industry complements the Soviet industry, which is geared to bulk production, while we are small volume producers of specialities."

The industry is heavily research-oriented, and R and D expenditure equals about 11 per cent of sales revenue and about 20 per cent of staff are employed in research and quality control. Basic research into new products developed only in the mid-1970s, but several compounds have now been patented by the Finnish companies, although as yet none has reached the marketing stage.

What is perhaps remarkable as well is that Finnish universities do not have the same tradition in pharmaceuticals research as some of the major European exporting countries, so growth in the industry is taking place from a fairly narrow academic base, although standards at the Finnish universities are regarded as extremely high.

Attractions win a substantial increase in foreign visitors

CLOSE to a million visitors arrived in Finland last year—an increase of seven per cent on the previous year. Already there has been a good response to an intensive campaign to win even more international tourists this summer. The majority of visitors come from Sweden, Norway, Germany, the Soviet Union, the U.S. and Britain—many attracted by the tranquil charms of the land of 60,000 lakes and wide-open spaces. No tourist leaves Kuopio, in eastern Finland, without a visit to the greater Puijo Tower (above, right) one of the area's leading attractions. The tower, the first of its kind in Scandinavia, offers a dizzying view across great stretches of Lakeland. The medieval castle of Olavinlinna (top, left) is the setting for the Savonlinna Opera Festival. The area is a much-visited tourist venue, with a health spa, casino, good hotels and sporting facilities. Visitors (lower, left) throng the market at Salo, near Turku, in southern Finland.

Soviet Union is the biggest buyer

FOREIGN PROJECTS

LANCE KEYWORTH

AS CONSTRUCTION branch export invoicing amounts to about 10 per cent of Finland's total exports, and 40 per cent of these "project" exports as they are now called go to Middle East countries, recent events in the OPEC states have disturbed the Finns.

The projects in Iran are all but a write-off. Iraq, in which Finland had contracts worth $545m in mid-1980, is still a "going concern" but there is some uncertainty there, too, now that the war with Iran has begun. The Iraqi Ambassador in Helsinki, Gen. Amesh, has hardly helped to relieve feelings by going on record as saying that those who run away from Iraq will not be welcome back. *Nevertheless, they are going* back.

The biggest buyer of Finnish "project" exports is, of course, the Soviet Union, for that is where the biggest oil bill comes [illegible] 60 per cent of Finland's total oil imports). It suits the Finns well enough as they *live cheek by jowl* with the Soviets. In some cases Finnish labour is employed on some of the projects, which helps the situation now that unemployment is running at about 4.5 per cent. The men either live on their work sites for a given period of time, or bus in daily and return home every night.

It depends on the location of the project. The Soviets' share of project exports from Finland wast almost double that of Iraq's in 1980.

The third biggest importer of projects from Finland is Saudi Arabia, and no one seems worried about that (the value figure for 1980 was $240m). But coming into the picture is Libya, whose political sands do not seem to worry the Finns. A company called Finnmap recently signed a new contract worth FM 24m ($5.8m) with Libya for ground planning of the south-western Fezzan region of the country. This amount is fairly small compared with *the envisaged contract* for the building of a nuclear power station in Libya in co-operation with the Soviet Union. The Soviet Union would deliver the power plant while the Finns would do the construction work and deliver some components.

This third-party type of project contract has been on the cards for a long time, but so far more has been said than done about it, not only with the Middle East but also with the Western bloc.

Up for discussion now in the Nordice Council is a proposal for a sort of joint nordic entrepreneurial venture into the development countries. The idea is that two Nordic countries plus a developing country would co-operate on a scheme to build, say, a factory in the developing country. However, these ventures take a long time to arrange and are difficult to finance.

Financing has been one of the problems of Finnish project exports. This has been relieved recently by the various guaranties from Export Credit Limited and the Export Guarantee Board, and some subsidiaries of the Finnish commercial banks that have been established abroad in the past few years. Nevertheless, the fact *remains that a Finnish com*pany may be at risk still because it has over-extended itself in bidding in a market which looks too attractive at first sight. That is exactly what is happening in Finland today.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

'Intellectual sabbaticals' take on a new dimension

INVITE hundreds of European chairmen and chief executives to a top Swiss ski resort, offer them a wide choice of activities, and the last thing you would expect them to do is spend hours being briefed on the potential impact on business of micro-processors, robotics, biotechnology and other wonders of new technology.

It would seem equally foolhardy to ask hordes of senior general managers to spend the best part of a week at a business school in the rolling English countryside for an intensive, practical briefing about new technology, rather than for the usual wide-ranging "intellectual sabbatical" at which such institutions excel.

Yet, in both cases, the unlikely has happened. In Davos last month six sessions on "technological pioneering" proved by far the most popular of a series of varied seminars offered by the European Management Forum within its annual nine-day Symposium; a good two-thirds of the 450 symposium participants attended the technology sessions, preferring them either to alternative meetings or to an extra hour on the ski slopes.

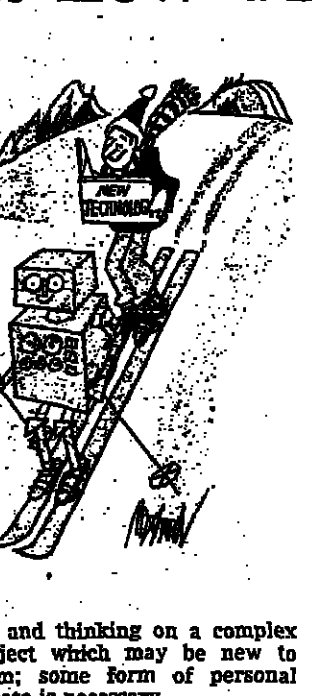
Revolution

And on the banks of the River Thames, the Administrative Staff College at Henley reports a rapid rate of enrolment for an unusual four-day briefing on "new technology and the management revolution," to be held at the end of this month. It will combine presentations, workshops and syndicate meetings with a practical exhibition which will allow managers to play around with the technology itself: programmable microcomputers, robots, various aspects of the "electronic office," and so forth.

The popularity of the two events raises three basic questions about the way top managers do — or should — spend their time. Why, after nearly five years of new technology mania in the media, should it be necessary for them to travel tens or hundreds of miles to hear still more about it? Are these briefings a sign of a shift by business schools and organisers of exclusive conferences away from extremely catholic "serendipity" sessions for senior managers, and towards far more specific, in-depth events? And would such a trend increase the practical value of top level short courses and conferences?

Sceptics will greet all three questions with the usual jibe, that all such meetings are merely an excuse for the bosses to have a good time out of the office on expenses. For the professional conference-goer this may be true.

But the vast majority of participants at Davos and Henley's senior management programmes *appear to be hard-working—frequently over-working—*executives for whom attendance is one of their only chances in the year to examine their *companies' external environment in* person and at length, through direct contact with policy-makers in international politics, society, finance or even business itself. Just as important as the formal sessions is the opportunity to have a sustained exchange of experience and ideas with their peers in other companies; the bars at such events do a roaring trade.



This is part of the answer to the first question: that the average top manager does not have —or make—sufficient time in his normal working week to assess events and trends outside his company in sufficient depth to *help his strategic thinking.*

To the sceptic who retorts that managers should simply read more, one can only reply that most people find it difficult to clarify their minds just by reading and thinking on a complex subject which may be new to them; some form of personal debate is necessary.

But even if reading were an adequate substitute for direct discussion, the average top manager would not find enough time for it. A recently completed *study of managerial and professional productivity* carried out by Booz-Allen and Hamilton, the U.S. consultancy, showed that only about 8 per cent of senior managers' time is spent reading, and little over half as much again on what the consultants called "analysing."

What is more, most of this activity was apparently directed at internal company documents rather than at material originating outside.

So the average top manager will not have read enough about the various new technologies. Those who have read extensively will have had insufficient stimulus to digest their potential impact "*on both the* strategy of individual enterprises and on society in general," to quote the literature of the Davos symposium.

The question of whether the technology briefings at Davos and Henley represent a shift in emphasis, from general-purpose top management courses and meetings to more carefully-tailored affairs, is altogether more uncertain.

The traditional argument in favour of broadly-spread programmes is the one of serendipity: that company directors are always on the look-out for unexpected news, views and discussions, while the middle manager is generally searching for something pretty specific in a business school or conference programme.

This view has certainly been reflected over the years in the breadth of events as dissimilar in size and precise purpose as Henley's regular three-day programme for European chief executives and directors, and the Davos Symposium.

Under the title of "The changing role of the chief executive," last July's Henley programme, for example, offered its 40 participants a relatively integrated programme, but the sessions were still as diverse as "Scenario Planning in Shell," "Management Development for the 21st Century," "The Future Role of the Board," and "The Management of Innovation."

Similarly, this year's Davos Symposium presented, in separate sessions, the head of the International Monetary Fund with the Saudi Arabian Finance Minister, the EEC Commissioner for Industry, the writer and academic Ivan Illich on the growth of "shadow work," and clergymen of several faiths on "World Religions and Business Ethics."

In both cases, a number of participants felt frustration at *being unable* to probe more deeply into certain topics before the next one came along. At Henley, the prime example was a glimpse of how Philips, the Dutch multinational, is trying to reconcile conflicting world-wide pressures for centralisation and decentralisation. Many participants feel the session was tantalisingly short.

The staff of the European Management Forum have responded to such pressures by turning part of the Davos conference centre into an "initiative centre," for participants who want at short notice to convene small, informal discussions *on specific topics; at least 30 a* day were held this year.

This seems an ideal way of combining the serendipity element offered by a broad-ranging programme — the breadth of the Davos symposium is unrivalled—with the urge of many participants to take home more than just a few outline thoughts or sketchy pieces of information.

Pressures

Like Henley's introduction of in-depth briefings on a narrow range of topics, the new Davos pattern increases the likelihood that more of the thoughts and information will "stick" in the participants' minds once they have returned to the everyday pressures of business life. Traditional broad-brush "intellectual sabbaticals" have their uses —whether they last a week or a year—but all too often they provide little lasting value in terms of their prime purpose: increased managerial competence and creativity.

European Management Forum, 19 chemin des Hauts Crets, CH 1223, Cologny, Geneva, Switzerland. Tel 22/360243.
Administrative Staff College, Greenlands, Henley on Thames, Oxon. RG9 3AU, UK. Tel. 049166-454. New Technology Briefing March 31—April 3.
Booz-Allen & Hamilton, 73 Brook Street, London W1Y 1YE. Tel. 01-499 8971.

Christopher Lorenz

Marketing rules the roost

CHIEF EXECUTIVES give their board colleagues a lower ranking in Britain than in any other European country. But the UK shares the general European practice of paying marketing directors more than anyone else on the board except the chief executive and his deputy, and of putting personnel and purchasing at the bottom of the scale.

This picture emerges from the latest research on top managers' pay carried out by *Management Centre Europe,** which will be published early next month.

Relating top executives' remuneration to the salary of a chief executive, most British directors suffer a greater differential than their European counterparts.

Thus, a marketing director in the UK was thought worthy of a salary equal to 59 per cent of his bosses' pay in 1980, while the percentage figure for the research director was 53.

But in France and Germany, for example, the marketing director is paid 64 per cent of his boss's pay, while in Portugal—which is consistently higher in all top management functions—the figure is 75 per cent.

A UK director of engineering gets only about 50 per cent of his chief executive's salary compared with about 60 per cent in Germany, Italy, Holland and Sweden. Other technical functions suffer less severely in Britain, though they are all paid far less than the chief executive.

The survey *notes* that, *in* each country, the relationship of the remuneration for each management function to that of the chief executive generally did not vary with company size.

MCE surveyed a "representative" sample of 968 companies in Europe, including 97 in the UK, but it points out that the responsibilities of different positions varied widely from company to company.

As with all surveys, unusual factors can distort the facts. Because much of the information is based on job descriptions, there is likely to be *some mis-matching* between different companies and centres.

In spite of this the MCE survey is generally considered to be one of the most comprehensive on pay in Europe.

It shows that with the exception of Italy, top executives in Europe *all* received salary increases in excess of domestic inflation during 1980. MCE bases this on forecasts given at the beginning of 1980 and checked early in 1981 in a representative proportion of the sample.

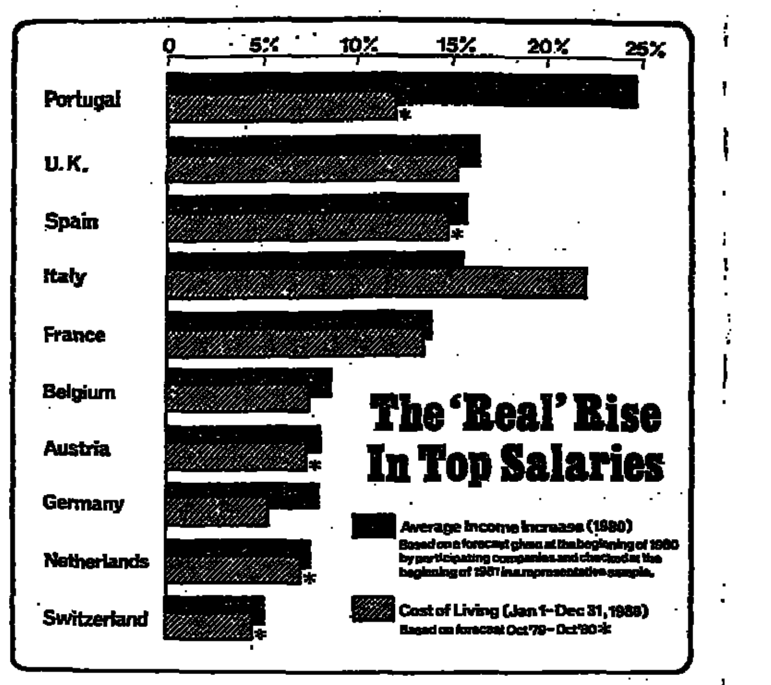
Thus top executives in the UK received pay rises averaging 16.3 per cent, against a 15.3 per cent increase in the cost of living. In Italy the salary increase was 15.5 per cent, compared with a jump *in the cost of living of around* 22 per cent.

and centres.

MCE also finds that British managers now keep a higher proportion of gross pay than many of their European counterparts.

For example, a married man with two children earning the equivalent of around U.S.$80,000, which is the median salary for a chief executive in the UK — using January 7, 1980 exchange rates — takes away 57 per cent of his gross reward after tax and social security payments.

*Top Management Remuneration, Europe '81, Management Centre Europe, Avenue des Arts 4, B-1040 Brussels, Belgium.



Arnold Kransdorff

NOTICE OF REDEMPTION

U.S. Rubber Uniroyal Holdings Société Anonyme

6¼% Guaranteed Sinking Fund Debentures due 1982

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of April 1, 1967, providing for the above Debentures, there will be redeemed for account of the Sinking Fund on April 1, 1981 (the "Redemption Date") $858,000 principal amount of the 6¼% Guaranteed Sinking Fund Debentures due 1982 (the "Debentures"), at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date.

The serial numbers of the Debentures which have been selected for redemption (each bearing the prefix letter "M") are:

197	1828	3465	4525	6509	8117	9784	11133	12025	13198	13888	15439	16114	17118	18071
288	1847	3471	4531	6515	8158	9848	11188	12030	13202	13929	15443	16120	17131	18076
363	1856	3511	4559	6534	8181	9897	11208	12037	13207	13943	15484	16140	17137	18128
466	1861	3557	4589	6545	8531	9930	11215	12041	13223	13959	15493	16144	17146	18160
478	1889	3578	4612	6548	8534	9988	11263	12062	13319	13973	15497	16174	17166	18164
492	1890	3627	4617	6671	8541	10049	11267	12068	13330	13994	15506	16210	17171	18169
502	1897	3635	4642	6677	8548	10097	11333	12073	13346	14004	15510	16216	17176	18179
525	1904	3642	4781	6698	8583	10132	11353	12137	13351	14007	15518	16223	17225	18183
575	1909	3661	4788	6717	8610	10138	11357	12158	13356	14014	15520	16318	17230	18188
673	1919	3680	4885	6728	8618	10159	11393	12163	13361	14096	15527	16337	17242	18193
692	1940	3689	4889	6750	8650	10236	11398	12202	13365	14101	15534	16340	17247	18196
703	1967	3742	4903	6756	8686	10292	11403	12228	13385	14149	15539	16358	17254	18201
714	1973	3748	4907	6863	8669	10296	11408	12234	13403	14153	15554	16367	17259	18240
735	1976	3774	4925	6945	8676	10307	11415	12240	13407	14161	15560	16372	17308	18246
745	2033	3784	4929	6985	8708	10345	11440	12253	13426	14174	15570	16377	17321	18249
767	2039	3802	4946	7064	8756	10357	11455	12257	13443	14178	15585	16381	17342	18278
775	2173	3806	4963	7070	8783	10362	11466	12281	13454	14199	15626	16388	17346	18283
783	2184	3813	5010	7166	8791	10370	11487	12294	13459	14268	15639	16423	17357	18289
796	2220	3837	5121	7182	8828	10375	11497	12298	13463	14278	15673	16478	17362	18293
850	2227	3865	5129	7188	8853	10383	11554	12303	13478	14352	15703	16481	17368	18301
914	2388	3877	5184	7207	8859	10387	11560	12309	13483	14358	15708	16487	17373	18306
940	2474	3890	5259	7214	8866	10394	11565	12322	13488	14364	15714	16497	17376	18311
966	2503	3927	5264	7219	8883	10427	11570	12358	13555	14367	15719	16505	17446	18315
1010	2509	3933	5337	7226	8920	10459	11639	12375	13559	14377	15734	16516	17456	18321
1111	2517	3940	5411	7237	8928	10517	11644	12526	13565	14382	15737	16520	17461	18349
1118	2528	3949	5423	7241	8934	10526	11662	12530	13593	14405	15744	16624	17465	18354
1133	2565	3975	5454	7247	8995	10539	11674	12779	13608	14437	15754	16630	17481	18358
1143	2599	3990	5459	7268	9007	10551	11684	12799	13612	14444	15766	16643	17501	18374
1166	2617	4013	5472	7364	9032	10581	11689	12803	13617	14471	15774	16670	17505	18387
1177	2627	4045	5563	7373	9038	10587	11710	12807	13623	14504	15784	16687	17524	18430
1183	2635	4066	5566	7392	9065	10595	11719	12834	13635	14523	15799	16708	17566	18436
1209	2639	4075	5589	7503	9097	10602	11722	12851	13640	14543	15824	16713	17575	18441
1216	2648	4080	5651	7534	9129	10612	11728	12857	13643	14549	15834	16742	17580	18459
1221	2655	4130	5679	7538	9134	10618	11773	12868	13662	14563	15841	16746	17585	18477
1228	2719	4138	5702	7545	9146	10629	11785	12883	13667	14625	15901	16751	17592	18516
1235	2728	4143	5732	7552	9151	10661	11789	12895	13675	14645	15905	16807	17598	18560
1346	2735	4149	5747	7558	9172	10742	11793	12903	13681	14727	15910	16819	17602	18578
1385	2749	4158	5777	7563	9177	10747	11798	12916	13686	14742	15914	16825	17608	18582
1390	2756	4164	5860	7582	9292	10767	11804	12931	13691	14746	15919	16843	17618	18587
1436	3056	4170	5871	7600	9300	10770	11829	12942	13697	14982	15925	16859	17647	18592
1443	3069	4174	5877	7626	9306	10782	11832	12951	13703	14991	15928	16882	17652	18595
1447	3074	4186	5890	7641	9336	10816	11850	12956	13707	15126	15934	16897	17658	18601
1461	3081	4193	6023	7648	9345	10885	11855	12961	13713	15130	15940	16905	17680	18607
1507	3091	4202	6093	7663	9348	10947	11866	12985	13719	15139	15965	16908	17770	18618
1523	3121	4207	6175	7688	9353	10952	11888	13090	13725	15154	15972	16937	17775	18628
1528	3191	4213	6238	7737	9363	10965	11904	13093	13729	15160	15977	16946	17778	18633
1536	3198	4226	6244	7762	9416	10992	11908	13107	13736	15197	15994	16956	17785	
1544	3205	4241	6250	7782	9420	10996	11913	13112	13741	15202	16026	16961	17789	
1564	3248	4250	6263	7797	9437	11001	11917	13117	13750	15253	16030	16967	17795	
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1822	3444	4508	6466	8043	9740	11124	12022	13187	13884	15435	16110	17113	18025	

On and after the Redemption Date the Debentures designated above will become due and payable upon presentation and surrender thereof, with all coupons maturing subsequent to April 1, 1981, attached, at the option of the holder, either at the office of Chemical Bank, by mail: P.O. Box 25983, Church Street Station, New York, New York 10249 or Chemical Bank, by hand: Corporate Tellers, 55 Water Street—Room 234, 2nd Floor North Building, New York, New York 10087, or at the office of Bank Mees and Hope NV in Amsterdam, the office of Société Générale de Banque S.A. in Brussels, the office of Deutsche Bank A.G. in Frankfurt, the office of Hambros Bank Limited, Samuel Montagu & Co., Ltd., and S. G. Warburg & Co. Limited in London, the office of Banque Générale du Luxembourg, S.A. in Luxembourg, the office of Banco Nazionale del Lavoro in Milan and the Office of Crédit Lyonnais in Paris.

Interest on the Debentures so designated for redemption shall cease to accrue on and after the Redemption Date. All coupons maturing after said date which appertain to such Debentures shall be void. Coupons maturing on April 1, 1981, should be detached and surrendered for payment in the usual manner.

U.S. Rubber Uniroyal Holdings Société Anonyme
By: Chemical Bank, *Trustee*

DATED: March 2, 1981

An escape route for crisis candidates

THE DEPTH of the crisis in British manufacturing is adding almost daily to the list of businesses in urgent need of rescue. For the thousands more which are desperately trying to avoid that fate, there is often no-one to turn to for instant yet relevant advice. So they may welcome the principles proffered by *Frank Wilson, an American* carpet industry turnround specialist. Some of his 20 points are plain common sense, others may seem far from obvious, and not only to the *smaller* company:

If the situation is hopeless, admit it and close the business with minimum losses.

It is not helpful to try to turn a business round while simultaneously *trying to sell it.* Improve operations, then sell when practical.

Have a firm commitment to the business from the management, the Board and the parent company (if any).

Tell everyone — personnel, banks, unions, governments — *the truth; rumours are* always worse than the facts.

Resources

Avoid major changes in the front end of the business — sales personnel and customers —until the logistical areas (products, customers, manufacturing and administration) have been sorted out.

Do not change the basic character of the business (image for quality, channels of distribution, customer mix) until cash losses are stopped.

Never develop a turnround plan which requires a large increase in sales volume.

Identify profitable segments of the business immediately and concentrate the available resources on these few segments.

Sort out those parts of the operation which may be discontinued promptly to change financial results.

Write-off all losses quickly—*bad debts, inventories etc.*

Set clear objectives for profit improvement and control.

If possible, stop the cash loss with existing people (particularly in a single plant operation, or where other personnel cannot be brought in within the same company).

Never try to turn a business round with part-time or absentee management.

When management is changed, make all the changes at one time.

Do not try to turn the firm round with people unfamiliar with the industry, particularly *those with primarily accounting,* legal or banking experience only.

Seldom depend on new technology to save a business in trouble. The first priority is superior management.

Never use funds from sale of assets to cover operating losses.

A company must first be successful in *its home* market. Therefore the first priority in turning a business round is the home market—not exports.

Allow sufficient time—18 months to three years—to complete a turnround.

Obtain experienced help for businesses in trouble. There is no time for on-the-job turnaround training.

Even if his final point is somewhat self-interested, Wilson certainly helps concentrate the mind. But will the troubled company really find comfort in his all-too-easy remark that "recessions and slow-growth markets are the best times for firms to improve and expand operations."?

Rhys David

LOMBARD

The 'free lunch' Budget critics

BY SAMUEL BRITTAN

WHEN I heard the Chancellor's Speech on Tuesday, I thought it was a bad Budget. What I meant by this was that if it was necessary to raise an extra £4.3bn in revenue (and this is the true amount on a non-inflation distorted calculation as explained in Part 1, Paragraph 4 of the Financial Statement), this was quite the wrong way to do it. But when I heard the main grounds of Conservatives criticism (easy, of course, to guess)—which amounted to denying that it was necessary to raise this revenue at all, nor to cut spending—I felt like cheering the Prime Minister's "provocative" attack on her (Cabinet?) critics again and again, and again and again, and wished that she would repeat it (a wish which will probably be granted).

Let me try to explain the issues in a way which makes as little reliance as possible on economic theory or fiscal or monetary technicalities. The rampant political disease of our time is the Good King Wenceslas syndrome. The disease consists of the attempts of rival groups, competing for shares in a limited national product, to pretend that a modern Government can act like King Wenceslas, who had his own personal resources, and could send food and fuel to poor men without necessarily taxing his subjects.

Poverty trap

How many for instance of the Chancellor's Conservative critics who rightly criticise the worsening of the poverty trap and the "why work?" problem from the failure to index tax allowances, would have acclaimed the alternative of an increase in the basic rate of tax? Such a decision would (I hope) have been welcomed by the Financial Times and a few brave MPs in all parties. But I fear that if he had done this, the Chancellor would have been howled down by most of the pack behind him; and the row in the last few days is a storm in a tea cup by comparison with what then would have occurred.

Let us suppose then he had decided instead to borrow most of the extra £4bn. Then there would not have been even the 2 per cent cut in MLR and the trend of short-term and long-term interest rates would have been up rather than down. We might then have had the unforgettable spectacle of a CBI march on Whitehall — something *I have been waiting all* my life to see.

We then come to the final resort of those exhibiting the Wenceslas syndrome: the retreat into spurious technicality, e.g. the assertion that the borrowing-interest rate trade-*off has been wrongly estimated*, that the Borrowing Requirement or the money supply is measured in the wrong way, or that we really can have a free lunch—tax less, spend more and "print" the difference.

The Government is not exactly like a family and there are rare occasions when financing a larger Budget deficit from the banking system may actually stimulate the economy — the Depression of the early 1930s may have been such an occasion. The question is whether the differences between now and the 1930s — when prices were falling not rising—are more or less important than the similarities.

Resources

What is the rational response for those who admit that they do not know the answers to all the theoretical questions or who are well aware that having studied them to the best of their ability, they have been wrong in the past and could be wrong again? Occasions when one can have a free lunch are by their nature rare and exceptional. The odds against this being one of them are high.

People throughout the world are not poor and hungry because of a shortage of paper money but because of a shortage of resources and other "real" problems such as market-rigging by producer groups, whose activities people like Mr. Peter Shore and Mr. Peter Walker are in politics to *rationalise*. The *supposition* that, whenever we are faced with an unpopular—even misjudged—Budget we are in the type of financial crisis calling for an injection of more money is an example of ordinary wishful thinking and normal in-*glorious concern for one's* pocket posing as moral indignation.

Employment sex equality campaign gains double fillip

A DOUBLE fillip to the campaign for sex equality in employment was delivered last week from home and abroad. In the Employment Appeal Tribunal an employer's crude policy of not employing married women with dependant children, on the unproved assertion that *they are always unreliable*, was smartly struck down.[1]

In Luxembourg the European Court of Justice snapped its judicial fingers at UK legislation that exempts pension schemes from the equal pay provisions, and held that in one *important* respect Lloyds Bank's occupational pensions scheme fell foul of Community law.[2]

Mr. Mustoe owns a restaurant in Kentish Town. In August 1979 he advertised in the window of "Edward's Bistro"—"Waitresses wanted for day or *night time" (itself probably an* unlawful advertisement).

He had, however, consistently pursued a policy of not employing women with young children, so that when Mrs. Hurley, who had four children under the age of 11, was provisionally hired by the restaurant manager, that hiring was speedily countermanded.

Mrs. Hurley had for the previous ten years worked four nights a week as a waitress at a dance hall, often working until the early hours of the morning. Unrealiability was certainly not her line, but she had decided to find a job which did not demand such long and awkward hours of work.

Since Mr. Mustoe did not pursue the same policy against men with dependent children, there was little difficulty in upholding Mrs. Hurley's claim of unfair dismissal on the ground of sexual discrimination. Mr. Mustoe had admitted in answer to a questionnaire submitted to him that "*it is very* difficult for married women with children to get to evening work."

The fascinating legal question was the alternative ground of Mrs. Hurley's claim. Section 3(1)(b) of the Sex Discrimination Act 1975 prohibits indirect discrimination against either men or women on the basis of their married status. (Section 3(1)(a) prohibits *direct* discrimination, which was not in point in this case.)

The argument for Mrs. Hurley was that, since substantially more married women than unmarried women have dependent children, Mr. Mustoe's policy had the effect that proportionately fewer married persons could comply with the condi*tion than unmarried persons*.

But was the policy nevertheless "justifiable"? Mr. Justice Browne-Wilkinson, who recently was seconded from the Chancery Division of the High Court to become chairman of the Employment Appeal Tribunal, held that there was no evidence that parents with young children are unreliable. "Not even popular prejudice suggests" that men are unreliable, whatever might be claimed in respect of women.

In any event, to justify a discriminatory condition, the employer must show that such a condition is necessary and not merely convenient. On this point the judge had some important observations to make.

Even if it were conceded that some women with small children are less reliable than those without, it does not follow that it is necessary in order to achieve reliability to exclude all women with children.

THE WEEK IN THE COURTS

BY JUSTINIAN

There are other means of testing reliability. Mr. Mustoe could have taken up Mrs. Hurley's references to see whether she was reliable. He could have asked her who looked after her children when she was at work. (There was *evidence that her husband*, a teacher, had successfully done so for the previous ten years.)

In general, a condition excluding *all* members of a class from employment cannot be justified on the ground that *some* members of that class are undesirable employees.

The legislative prohibition against sex discrimination at work may thus have the incidental effect of making employers more competent in the management of labour.

Lloyds Bank is anything but incompetent. It provides elaborately for all permanent staff two separate retirement benefit schemes—one for men, the other for women.

Membership of both schemes, which are contracted-out pension schemes, is compulsory from the moment that employment begins. The schemes have parallel provisions, save in one important respect.

By the terms of the men's retirement benefit scheme, staff have to contribute 5 per cent of their salary (treated as part of their salary) to the pension fund regardless of age. Women staff contribute 5 per cent of their salary only on attaining the age of 25.

Thus in the case of an employee leaving Lloyd's service before completing five years' service, or before attaining the age of 26, the consequences under the scheme are not the same for men and women.

A male employee who has paid contributions from the outset of his employment before reaching 25 would receive back those contributions, subject to deduction, with interest; a female employee who paid no contributions until the age of 25 in respect of employment would receive no sum by way of refund of contributions for employment under that age; other differential consequences occurred.

If the contributions paid by the employer to the scheme, or the rights and benefits of a worker, were "pay" within Article 119 of the Rome Treaty, there was an inequality between the sexes.

Last December the Advocate-General, Mr. Jean-Pierre Warner (who is now back in this country as a Chancery judge) gave his opinion supporting Lloyds in its contention that pensions were not "pay."

But the Court has firmly rejected that view. Article 119 (2) says that "pay" means "*the ordinary* basic or minimum wage or salary and any other consideration, whether in cash or in kind, which the worker receives, directly or indirectly, in respect of his employment from his employer."

The Court said the sums in-*cluded in the* calculation of a gross salary payable to the employee and which directly determine the calculation of other advantages linked to the salary — e.g., redundancy payments, unemployment benefits, family allowances and credit *facilities — form part of the* worker's pay within the meaning of Article 119(2), even if they are immediately deducted by the employer and paid to a pension fund on behalf of the employee.

This applies even more so where those sums are refunded in certain circumstances as being repayable to him if he ceases to belong to the contractual retirement benefits scheme under which they were deducted.

If the result in Luxembourg was predictable and reassuring to the sex equality lobby, it cannot be doubted that the financial consequences are formidable, if not dire.

Lloyds calculated that annually it employs 21,500 women, of whom 13,800 are under 25. Claims for the retrospective adjustment of pay scales covering a period of years would run into millions of pounds.

Lloyds therefore asked the Court to make any ruling against the bank prospective only, as the Court had done in an earlier judgment in 1976 involving state pension schemes. But that plea too was rejected.

The Court said that, while conscious of the implications of any judicial decision it makes, it would be impossible to diminish the objectivity of the law and compromise its future application on the ground of repercussions which might result, as regards the past, from such a judicial decision.

[1] *Hurley v. Mustoe*, Times Law Report, March 13, 1981.
[2] *Worringham and Humphreys v. Lloyds Bank Ltd.* [1980] 1 CMLR 293.

Ekbalco aims for the top

RACING

BY DOMINIC WIGAN

ROGER FISHER has his sights set firmly on next year's Champion Hurdle with Ekbalco, and no one who saw the five-year-old demolish the opposition in Saturday's William Hill Imperial Cup is likely to dismiss the Cumbrian trainer's hopes.

Although Fisher's immediate post-race remark to Ekbalco's—"Now for next year's Champion Hurdle—Sea Pigeon had better watch out"—may seem a little premature, there is little doubt that given ormal improvement Ekbalco could be among the best in 1982.

The youngest member of Saturday's 14-runner field for a race which until 1939 had far more status than the Champion Hurdle, Ekbalco proved himself head and shoulders above his rivals, pulling away after the final flight to win as he pleased.

There is no doubt that as far *as Cheltenham goes it is very* much in Ekbalco's favour that he gets two miles better than most and is at his most formidable in testing conditions.

A tenuous line to Ekbalco's 1982 pretensions may be seen on Wednesday when Badsworth Boy is pitted against the best on level terms.

If Badsworth Boy, a year the senior of Ekbalco, can make his presence felt in the company of Sea Pigeon and Heighlin, there will be many watching Ekbalco's preparation for the 1982 race with the keenest interest.

Following Saturday's six lengths success over Rimondo, Fisher's winner (who goes next to Aintree) was backed at 33-1 and 25-1 for 1982 glory at Cheltenham.

Turning to today's Ayr card, Fisher, responsible for the final winner at Sandown in Kilroy Manor, will be attempting to win a third consecutive race. This time *his* hopes will be pinned on a somewhat less illustrious representative in Simbad.

A winner as a juvenile in Belgium, Simbad has proved something of a disappointment since outclassing Berulia in a juvenile handicap at Stratford last term.

However, he is sure to be all the better for a much-needed recent outing after a long lay off and looks worthy of support in the Carcluie Opportunity Handicap.

AYR

2.15—Simbad***
2.45—Gallic-Saint
3.15—Palace Guard*
3.45—Caroline Lamb**
4.15—Cinshid
4.45—High Diver
5.15—Joe Sunlight

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra High Frequency). 9.00 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Mister Men. 2.01 For Schools, Colleges. 3.00 When the Bough Breaks. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Rentaghost. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Regional News Magazine and Nationwide.
6.20 Nationwide.
6.55 Triangle.
7.20 Star Trek.
8.10 Panorama (look at Camden Council, the highest-spending local authority in Britain).
9.00 News.
9.25 The Monday Film: "A Guide for the Married Woman," starring Cybill Shepherd.
11.00 Film '81.
11.30 In the Post.
11.55-12.00 News Headlines.

All Regions programmes as BBC1 except as follows:

CYMRU/WALES — 9.52-10.12 am I Ysgolion: Daearyddiaeth. 1.45-2.01 pm Pila Pala for Children. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.55 News Headlines, News and Weather for Wales.

SCOTLAND — 11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.30 Cearcall. 12.00 16 Up. 12.25 am News and Weather for Scotland.

NORTHERN IRELAND — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.55 News Headlines, News and Weather for Northern Ireland.

ENGLAND — 5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.00 Focus.
10.25 A Taste of Work.
11.00 Play School.
11.25 Write Away.
2.15 pm Let's Go.
2.30 Multi-Racial Britain.
3.00 Embroidery.
3.30 Wainwright's Law.
4.15 Work and Leisure.
4.50 Open University.
†5.40 King of the Rocket Men.
6.05 Cameo.
6.15 Rock Goes to College.
6.55 Artists in Print.
7.20 Mid-Evening News.
7.30 One Hundred Great Paintings.
7.40 Roots of England.
8.15 Marti Caine.
9.00 Yes Minister.
9.30 Horizon.
10.20 Say It With Baby Grand.
10.50 Newsnight.
11.35 Télé-Journal.

LONDON

9.30 am Schools Programmes. 12.00 Paperplay. 12.10 pm Rainbow. 12.30 Vet. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. 2.30 Monday Matinee: "The Good Guys and the Bad Guys." 4.15 Dr. Snuggles. 4.20 Graham's Ark. 4.45 Heaven Above. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Nature Watch.
7.30 Coronation Street.
8.00 West End Tales.
8.30 World in Action.
9.00 The Sweeney.
10.00 News.
10.30 Lou Grant.
11.30 Rock Stage.
12.25 am Close: "Sit up and Listen," with Johnny Morris.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "That Lady from Peking," starring Nancy Kwan. 5.15 University Challenge. 6.00 About Anglia. 6.30 Welcome Back Kotter. 12.30 am Reflection.

ATV

1.20 pm ATV News. 2.00 The Monday Matinee: "Danger in Paradise." 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.10 ATV News. 11.15 Rockstage. 12.15 am Something Different.

BORDER

1.20 pm Channel Lunchtime News, Matinee: "Keefer," starring William Conrad. 3.45 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Lookaround Monday. 6.15 The Collectors. 6.30 Mr. and Mrs. 10.30 Scottish Labour Party Conference. 12.30 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News. What's On Where and Weather. 2.00 The Monday Matinee: "I Love a Mystery." 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Channel Report. 6.15 Cartoontime. 6.30 The Amazing Years of Cinema. 10.28 Channel Late News. 10.36 The Electric Theatre Show. 11.05 Rock Stage (Average White Band). 12.00 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 12.00 Monday Matinee: "The Winslow Boy," starring Robert Donat, Margaret Leighton and Cedric Hardwicke. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 North Tonight. 6.30 Country Focus. 10.30 Labour Conference Report. 11.30 Living and Growing. 12.00 North Headlines. 12.05 am National Film Board of Canada.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Gentlemen Prefer Blondes," starring Jane Russell and Marilyn Monroe. 5.15 Mr. and Mrs. 6.00 Granada Reports. 10.30 RL Action (Huddersfield v. Wigan). 11.15 The Monday Movie: "Prisoner in the Middle," starring David Janssen.

HTV

1.20 pm HTV News. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "Powderkeg," starring Rod Taylor. 5.15 Mr. and Mrs. 6.00 Report West. 10.28 HTV News. 10.30 Quincy.

HTV Cymru/Wales—As HTV West except: 10.05-10.20 am About Wales. 11.05-11.20 Am Gymru. 12.00-12.10 pm Ffalabalam. 2.00-2.30 Hamdden. 4.15-4.20 A Wedding Knight. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News and Road and Weather. 12.00 The Stars in Black and White: "My Girl Tisa." 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Scotland Today. 6.40 Crimedesk. 7.00 Now You See It. 10.30 Labour Conference Report. 11.30 Living and Growing for Adults. 12.00 Late Call. 12.05 am *Three's Company.*

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 "Law and Disorder," starring Michael Redgrave. 3.45 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Day by Day including Southsport. 10.35 Music in Camera. 11.05 WKRP in Cincinnati.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Campbell's Kingdom," starring Dirk Bogarde and Stanley Baker. 5.15 Here's Boomer. 6.00 Northern Life. 10.30 North East News. 10.32 Northern Report. 11.00 SWAT. 12.00 Makers of Northumbria.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "The Power Within." 3.45 Money-Go-Round. 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 10.29 Ulster Weather. 10.30 By This I Live. 11.00 Soap. 11.30 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.00 The Monday Matinee: "I Love a Mystery," starring Ida Lupino. 3.42 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Westward Diary. 10.32 Westward Late News. 10.36 The Electric Theatre Show. 11.05 Rock Stage (Average White Band). 12.00 Faith for Life. 12.05 am West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Money-Go-Round. 2.30 Monday Matinee: "The Brothers O'Toole." 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 RL Action (Huddersfield v. Wigan). 11.15 Rockstage with The Average White Band.

F.T. CROSSWORD PUZZLE No. 4,520

ACROSS

1 Obtain pass (4, 2)
4 Sailor's alternative resting place entirely occupied (8)
9 Person unable to go at easy pace (6)
10 Trouble to remove lock (8)
12 History has spoken of shepherds (8)
13 Family led astray in fire (6)
15 Weighty system taken in by horse (4)
16 Undressed as usual (3, 2, 5)
19 Resort by sea fit to drink (10)
20 Kiss coach soundly (4)
23 Current line in harmony (6)
25 A number who (ungramatically) are rather . . . (8)
27 . . . making Haydn work (8)
28 Point to rush-hour traffic in bad writing (6)
29 Let off appointment outside school (8)
30 Severe critic reaching pole in due course (6)

DOWN

1 Where the struggle takes place in the main (7)
2 Fur creature nicked (4, 5)
3 Rail record upset by Frenchman (6)
5 Boat made with second-class equipment (4)
6 Striking just once for all (8)
7 River returns below railway train (5)
8 Sweet abandon to the ear (7)
11 Unaffected by being obvious choice (7)
14 Look here my boy takes the stage (5, 2)
17 Just touch and go by . . . (5, 4)
18 . . . furniture salvaged from the North Sea (8)
19 Limp young beast brought up crime squad (7)
21 Colonial pioneer paying up (7)
22 Writer with pound caught 1.50 (6)
24 Bit of body found in box (5)
26 Sack Wellington (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡ Medium Wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Stayin' Alive. 8.00 Richard Skinner. 10.00 John Peel (S).

RADIO 2

5.00 am Bob Kilbey (S). 7.30 Ray Moore (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 pm Steve Jones' Request Show (S). 4.00 Much More Music with David Symonds (S). 6.00 John Dunn (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton with The Best of Jazz (S). 9.55 Sports Desk. 10.00 The Monday Movie Quizz. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Fauré (S). 10.00 Andre Tchaikowsky piano recital (S). 11.40 Bournemouth Sinfonietta (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.05 Matinee Musicale (S). 3.05 Barbara Gorzynska violin recital (S). 4.00 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Jazz in Britain (S). 7.30 A Radio Concert from Paris, part 1: Beethoven, Ivan Vishnegradsky (S). 8.30 The Bienfilatre Girls by Villiers de l'Isle Adam. 8.50 Concert: part 2: Berg (S). 9.40 The Price of Victory. 10.45 Schubert (S). 11.00 News. 11.05-11.15 Vaclav Talich conducts Suk.

VHF Only—Open University: 5.55-6.55 am and 1.15 pm-11.55 and for students in Radio Scotland and Radio Cymru areas only: 11.55 pm-12.55 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. *6.25 Shipping Forecast.* 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Glyn Worsnip looks through the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Frank Bough. 9.55 Appeal on behalf of the National Gardens Scheme Charitable Trust. 10.00 *News. 10.02 Money Box. 10.30 Daily* Service. 10.45 Morning Story. 11.00 News. 1.05 Orphan Drugs. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Cliche (S). 12.55 Weather; Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 Home Is. . . . 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News. 6.30 Frank Muir Goes Into . . . Pettiness (S). 7.00 News. 7.05 The Archers. 7.20 Just a Minute (S). *7.50 The Monday Play (S).* 9.20 Senses of Occasion. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The *Robbie Vincent Telephone Programme.* 12.30 pm London News Desk. 12.40 The Tony Fish Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Inside London. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am *AM—Bob Holness* and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 London Life. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

6.30 am Mike Smith's Breakfast Show. 10.00 *Michael Aspel. 12.30 pm* Graham Dene. 1.00 First Report. 1.10 Graham Dene (continued). 3.00 Roger Scott. 7.00 London Tonight. 8.00 Teach Yourself You. 9.00 Alan Freeman. 11.00 Tony Myatt's Late Show. 2.00 am Duncan Johnson's Night Flight.

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THE ARTS

New Vic, Bristol

The Father

by B. A. YOUNG

The Father is the first play of a trilogy by Ian Sinclair that won the Harris Trust playwriting competition, and I must declare an interest, as I was one of the judges in that competition. The trilogy deals with the life of Dostoevsky, but it does not pretend to be entirely true. Instead, it deals with events that illustrate the characteristics Dostoevsky displayed in his writing. All three plays are scored for three players, two men and one woman.

In this first one, Dostoevsky is in Petersburg, about 25 years old, awaiting the publication of *Poor Folk* and *The Double*, but already a star, feted by literary society for his genius. Being feted is something he has taken to readily, and in the meagre garret which he shares with his elder brother Mikhail there is always a bottle of wine, usually champagne. Dostoevsky is being torn two ways, however, for he and his brother belong to the nihilist Petrashevsky circle, a bunch of amateur terrorists such as you read about in *The Devils*, who are determined to better the lot of the poor by liquidating the bureaucracy.

More than that, he is haunted by the memory of his father, a retired military surgeon, who debauched small girls and was ultimately murdered by his peasants, yet who had treated his children with military discipline. His portrait looms over the scene all the evening.

In summary, the plot tells how Dostoevsky has an affair with an actress with a wealthy but rustic husband and a lover who is Dostoevsky's publisher Nekrasov. When Dostoevsky urges her to divorce and then marry him, she puts him in his place: he is just a toy. What makes the play so gripping is the author's gift for tracing the warp and weft of instincts that compose Dostoevsky's character. The writing uses skills not common enough today—the ability to write long, developing scenes, to fill extended speeches with a crescendo of interest, even to use acceptable soliloquy. The actress has a long descriptive account of her husband's life at the climax of the play that is immensely dramatic. Very well spoken by Joanne Pearce, who suggests the society butterfly most exactly, its content deals with foolish things, yet it is of fundamental importance in the play.

John Nolan plays Dostoevsky with immense vigour, hurling his opinions about like a political student, treating his love affair as his due, wasting money on frivolities whether he has it or not. He leaves Mikhail to cope with practicalities. But Mikhail, given an effectively subdued performance by Christian Rodska, has a wife and children in the country and a printing press in the pad for illegal revolutionary leaflets and the time comes when he has to return to a more conventional life. It is here that Dostoevsky, chucked by his girl and deserted by his brother, feels the dreaded heredity of his authoritarian father.

The play is well directed by Patrick Lau, the atmospheric set is the work of John McMurray. The second piece, *The Governess* (a macabre one, this, based on Stavrogin's confession in *The Devils*) opens on March 24; the third, *The Brother*, on April 7. On Saturday, May 2, all the plays will be done in one day.

Greenwich

The Golden Age

by ANTHONY CURTIS

It is remarkable how closely in outline A. R. Gurney, Jr.'s *The Golden Age* follows *The Aspern Papers*. The fact even strikes the author, who writes in the programme, "I became a thief, stealing the Aspern papers from Henry James. Actually, I imagine the story goes way back . . ."

Well, maybe it does, but not in this form. True, the action has been brought nearer in time, and the setting changed from a Venetian palazzo to a brownstone house on the upper east side of New York. But here, as in James, live two eccentric ladies. The elder of them can remember the Jazz Age, when she was the toast of the town and, she claims, the mistress of Scott Fitzgerald, who became the original of Daisy in *The Great Gatsby*. Now a parchment-faced sharp-tongued old woman, she lives among a houseful of treasures and relics, guarded from the world outside by the other lady.

This woman inaptly named Virginia, played by Angela Thorne, is her grand-daughter and is fond of cats and alcohol in equal quantities. She makes the initial mistake of allowing a college professor (Vincent Morzello) into the house. He gains entry on the pretext that he wants to write a book about the ancient building. He is soon reaching for his cassette recorder, as the old woman begins to spill the beans about her glittering past life. He senses bigger game in the form of a missing chapter from *Gatsby*, depicting a night of love . . .

No need to summarise the deal she makes with him, nor to go into his affair with the granddaughter, beyond to say that the Jamesian pattern of cross and double cross is blocked out in two acts containing precious little that is not predictable from the moment he passes the threshold. Still, it is always agreeable to watch Constance Cummings at work, even when she has such a muted role as that of this old woman. She provides the evening with the one or two memorable moments it possesses. One of these is when she threatens the researcher with a shotgun and forces him to disrobe, in order to demonstrate what he will be inflicting upon her memory, if he publishes the missing chapter. The other is when she appears from beyond the grave in her golden ball dress and in a final gesture of approbation waves farewell to her granddaughter muttering "Good girl" after the unpublished fragment has been comitted to flames.

Alan Strachan is the director. He fails to find any way of enlivening this three-hander for much of the time.

Union dispute hits Stockhausen premiere

Because of a last-minute union dispute Karlheinz Stockhausen's new opera *Donnerstag*, which was to have had its world premiere at La Scala in Milan yesterday, was given there only in truncated form without its third and last act.

Three days before the premiere the opera-house chorus of 80 singers refused to continue rehearsals unless each member was paid an additional "soloist's" fee of approximately £60 per performance.

A spokesman for the chorus said that at one point during their eight-minute contribution to the opera (which lasts altogether more than three hours) the singers were required to sing two solo notes in turn for a few seconds each: and that this fully justified their claim.

The Guildway energy saving home

Trevor Humphries

Architecture

No place like Earls Court

by COLIN AMERY

It is where charity begins, where the hunter comes back to, where we try to keep the fires burning. There are sweet ones, little grey ones in the West, eternal ones and even old Kentucky ones. Wherever and whatever it is we all have to agree that there is no place like *home*.

There are so many images of home that it is almost impossible to visualise the ideal home, but this is precisely what a great many people try to do when they plan the annual Ideal Home Exhibition at Earls Court in London. It is the one event of the year when the great British talent for home-making is exposed on the grand scale. No one can doubt its popularity. People come from all corners of the kingdom in droves to see for themselves the giant mirror image of an ideal version of their lives. It is not just about houses, or even about "do-it-yourself," it is the one place where you begin to see writ large the secret domestic desires of the nation.

It is always difficult, if you are as fascinated as I am by what people actually get up to at home, to drag oneself away from the teams of demonstrators who are there to convince you that is it just child's play to curl butter and transform radishes into roses. I was totally charmed by a retired actress who whipped my spectacles from my nose, covered them with a patent polish and then held them over a steaming kettle that happened to be handy. The lenses remained completely clear. One visit to the Ideal Home show has ended forever the steamed-up shaving mirror, the misted windscreen and the total blindness that afflicts spectacle wearers whenever they open the hot oven to check on the joint. After this magic potion had been expensively purchased I managed to resist joining a group of ladies with their stockinged feet stuck into the "rest n' cool" machines and forced myself to concentrate on the architecture.

A lot of thought has obviously been applied to the setting for the small village of houses that are the centre-piece of the exhibition. This year they cluster around a lake fringed by vivid azaleas, and large, very fat ducks wander about contemplating a future flying on some suburban wall. It seems a shame that the giant backcloth to the village was such a ham-fisted bit of scene painting. Energy saving is one of the themes of this year's exhibition and a lurid sun glowers over a vaguely Mediterranean scene, presumably to inspire thoughts of solar power.

One of the houses is very large. It has a pillared porch and a huge garage. When the garage doors are opened all is revealed. This is a two-Porsche family who put a pretty low priority on energy saving. The house is designed by a firm called Architectural Services, who supply books of plans to anyone wanting to choose a house this way. It must be admitted that there isn't much sign of the hand of a decent architet in their houses and their plans which are sold for "only £100" are of the most stereotyped kind.

Much more imagination is shown by the idea put forward for first-home owners by Barratt, Britain's largest firm of house builders. Their Studio Solo is a small unit for single people which is being built in terraces or groups. At last a house builder is doing what has been done in America for years, supplying with the studio all the basic equipment—washing machine, cooker, 'fridge sensibly built in. While these small homes are not masterpieces of architectural design they answer such a clear need that they should be welcomed.

The most encouraging development in the house-building field is not the return to cave living advocated by the *earth-sheltered penthouse*, but the more discreet attractions of a range of houses offered by Guildway. The house on show is a well insulated award winning energy-saving home. The publicity neglects to tell us that the house is designed by architect Martin Richardson and is the flagship of a flotilla of newly-designed two-storey houses.

With Guildway, Richardson has designed an infinitely more sensible range of house plans than most private house builders offer. There is a refreshing simplicity about his timber framed houses. They offer, through a computer memory bank, a series of plan types and 'external variations that can be selected by future house buyers to provide the nearest thing that they are likely to find on the private market to an ideal home. It seemed to me a pity that the publicity for these Guildway houses did not trumpet to the world the fact that they are architect designed. They offer simple houses that are influenced in their design by the best traditions of vernacular housing and they offer a wide choice in their external appearance and internal planning.

One mystery remains about the Ideal Home Exhibition—why are Britain's architects not represented? At the same time as the great home show fills Earls Court the Royal Institute has mounted an excellent small exhibition called an *Anthology of British Architecture*. It shows the great variety of work that is being done by the best British architects. It is an interesting and stimulating show and is lurking on a landing in the RIBA (66, Portland Place, London, W1) where only architects are likely to see it. There are plans for it to tour the country but only through the RIBA regions—it would be more in tune with the times if it was shown in the market place. It would certainly have added a note of quality to the effort at Earls Court to present the domestic ideals of the nation.

* * *

The decision is due to be taken today by a group of London Borough of Camden councillors on the future of the large site at Swiss Cottage which was, in more affluent days, to have been the great Civic Centre for Camden. The council has four schemes in front of it from architects and developers. All four were shown at a public meeting when the brief was explained. It is gratifying that on this four-acre site behind Sir Basil Spence's library and swimming pool the council wants to see a large public open space and more sport and leisure facilities. Office blocks will pay for these facilities and shelter the new space from the noisy surrounding roads.

The four architects who have prepared schemes are: Richard Seifert and Partners; Ted Levy, Benjamin and Partners; Fitzroy Robinson; and Douglas Stephen and Partners. Only the Douglas Stephen design seems to have grasped the crucial point that it is the quality of the public space that is just as important as the design of the buildings. Their curved buildings and sheltered amphitheatre could well provide this part of North London with the kind of unifying civic space that it so urgently needs. The site has been waiting for 20 years. Camden must not bodge the site just because they are going bankrupt.

The Ideal Home Exhibition is at Earls Court until April 4; the RIBA show runs until March 28.

Highnam Court Project Opera School

A residential course (August 4—15) for 16 young professional singers and advanced students is to be held at Highnam Court, Gloucs.

The repertory to be studied includes scenes from Cavalli's *Ormindo*, *Lakmé*, *Figaro* and *Cosi*, *Falstaff*, and *The Rape of Lucretia*. Courtney Kenny (director) heads a faculty including Richard Lewis, Ubaldo Gardini, and Sheila Scott. The cost is £150.00, inclusive; applications should be made to the Secretary, Highnam Court Project Opera School, 14 Grange Grove, London N1 2NP.

Bouffes du Nord, Paris

The Cherry Orchard

by MICHAEL COVENEY

The crumbling splendour of Peter Brooks' theatre near the Gare du Nord is an evocative setting for *The Cherry Orchard*—*La Cerisaie* in Jean-Claude Carrière's supple translation. Recent productions by Strehler and Serban have been characterised by spectacular scenography, whereas our own Peter Gill upstaged the National Theatre version in 1978 with a visually austere but emotionally highly charged reading at the Riverside Studios.

Brook's production is closest in spirit to the later. His brilliantly uncluttered approach, stage hardware reduced to an absolute minimum, pays remarkable dividends. The peeling back walls convey everything the estate manager Lopakhine dislikes about the country retreat. On the floor, we see several huge, worn carpets. One of these, rolled up, gives an effective scene change when the company totter along it for the open air second act.

As the family move out, the new owner sits centre stage in a white-draped chair. The same chair is occupied by the old servant Firs, mistakenly locked in to die at the end. The company flit busily about in the theatre's upper circle on the morning of departure. In the first act, they returned to the dacha through the stalls (sorry the banquettes).

For the interior scenes, there are a couple of standing screens. When Lopakhine (a ferociously sweaty and single-minded performance by Niels Arestrup) reveals he is the new owner, he falls against one of the screens, pinning it to the floor, in a state of drunken relief. Gaev's speech to the favourite old cupboard is delivered after a single white sheet has been brusquely whipped away.

What I have never seen before is a production where all the parts seem to carry equal weight. The fumbling, tumultuously embarrassed Epikhodov of Claude Evrard, with his squeaky boots, is a memorable as are the decrepit but residually disciplinarian Firs of Robert Murzeau; the spry, amusingly athletic little Yacha of Maurice Benichou; the unusually beautiful, wound-up Varya of Nathalie Nell; the ebulliently ridiculous Pistchik of Jacques Debary.

Natasha Parry and Michel Piccoli

But of course the crucial test of any production is how successfully the characterisations are inter-locked. A production that fails, such as Peter Hall's at the National, ends up as a disconnected series of star turns. Brook's company, however, evinces a rhythm and poise that is truly breathtaking. Crucial to this is the playing of Natasha Parry as Ranevskaya (referred to throughout by her other name, Lioubov) and Michael Piccoli as her brother Gaev.

M. Piccoli, veteran of many of the best French films in recent years, gets away completely from the usual whimpering ninny, while Natasha Parry is vain without being silly, the two of them dissolving in outbursts of incredulous laughter at Lopakhine's warning shots.

The English actor Joseph Blatchley makes of Trofimov a touchingly callow orator. Michael Frayn argued in his NT version that Trofimov is less an eternal student than a Wandering Jew, muttering dark precepts to an unheeding salon. Another English playwright, Trevor Griffiths, made Trofimov the conscience of the play, an impassioned left-wing polemicist. It only goes to show the room for manoeuvre allowed by a great play. When Brook's Trofimov sounds off about the new life and all Russia being his garden, the young idealist comes across as winsomely attractive but not half as feasible as either the old order's resigned wisdom or Lopakhine's practical enthusiasm.

Wigmore Hall

Richard Stoltzman

by DAVID MURRAY

Mr. Stoltzman's clarinet recital on Saturday was formidably accompanied by Emanuel Ax, who also contributed a strong if dryish account of Chopin's 2nd Scherzo to the programme. Mr. Ax is a familiar visitor to London, however, whereas Stoltzman is not—though he is a member of Peter Serkin's much-admired ensemble Tashi—and deserves special notice. He is in fact a remarkable musician.

He played three staples of the repertoire as well as Weber's exuberant Grand Duo Concertante (which hasn't acquired the same status simply because the piano part needs someone with Ax's technical powers). Stoltzman makes free use of a rather wider range of tone than is usual among British clarinettists, especially at the quiet end: in the op. 73 *Fantasiestücke* of Schumann and in much of the F minor Sonata of Brahms, he sustained a fragile pianissimo line on the merest of breaths. The effect escaped sounding mannered by virtue of acutely expressive phrasing—and the famous Andante un poco adagio of the Sonata, memorably lovely, was neither whispered nor halting but quite firmly shaped.

The richly eloquent performance of the Brahms was matched by Stoltzman's no less searching exposition of Stravinsky's three solo pieces, each made formally lucid, all vividly contrasted by tone and address: grave warmth in the first, liquid arabesques in the second, jazzy stridency in the last. And in the Weber Duo Stoltzman proved that he also commands the bubbling, cheerful forthrightness of mainstream clarinet-style (and virtuoso breath control too). The narrow limits of the solo repertoire seem particularly unjust when there is a performer so superbly equipped to honour it.

Wigmore Hall

The Boulez Connection

by ANDREW CLEMENTS

"The Boulez Connection" may not be any more real than any of the other connections established in this wayward New MacNaghten Concerts series, but at least this time it did prompt a programme of a rarely illuminated corner of post-war British music. For Friday's concert the performers were Susan Bradshaw and John Tilbury, and they played works with which they have long and close connections by Richard Rodney Bennett and Cornelius Cardew. Bradshaw, Bennett and Cardew were contemporaries at the Royal Academy of Music in the mid 1950s; Boulez must have been a pressing influence on any young creative musicians at the time, and one imagines the MacNaghten programme stemmed from that, and from the attempts of the two composers to come to terms with the implications of total serialism and, in works for two pianos, with Boulez's *Structures* in particular.

Two sections of book I of *Structures* began the concert, and Miss Bradshaw played "Trope" from the third piano sonata later in the programme. But Boulez's music here only had talismanic significance; there was more emphasis laid on demonstrating Bennett's early attempt at grasping the serial nettle in the *Music for two pianos* (written in 1957, after the first year of his study with Boulez) and on Cardew's almost immediate and characteristically imaginative reaction against it in the *February Pieces* and his *Music for two pianos*. On Bennett also the idiom lay stiff and awkward, and the gradual finding of an identity was demonstrated by the piano studies of 1962-64 (two of them excellently played by Miss Bradshaw) and the asumption of an easy almost painless technique by the recent *Kandinsky Variations*.

Cardew's recent work was represented by the first performance of his *Boolcrogue* for two pianos, commissioned by New MacNaghten Concerts. After Boulez, Stockhausen and Cage political engagement intervened for Cardew and the new three-movement work was couched in the now all-too-familiar subfusc romantic terms, rather as if Rakhmaninov had wandered into the folksong revival and lost his harmonic sense as a consequence. The problem in regretting Cardew's stylistic *volte face* is that by implication one is criticising his politics at the same time. He was, however, one of the most talented and original British composers of his generation; he is not that any longer and I for one cannot see why a ragbag of fumbled 19th-century gestures should have more political purity than the poised and beautiful music he once wrote.

CRICKET by TREVOR BAILEY

Barrington, a born fighter, dies

THIS ILL-FATED tour to the Caribbean suffered its biggest loss on Saturday night when Ken Barrington, the former England and Surrey cricketer and current assistant manager of England, died from a heart attack.

Ken had been one of the most dependable of post-war England batsmen, a great accumulator of runs and a born fighter.

His record in test cricket was outstanding and when he retired he put an enormous amount back into the game he had played so well and loved so much. Only hours before his death he was bowling in the nets to the England players.

Ken will be geatly missed.

The Kensington Oval was packed for the first three days of the Barbados test much to the relief of the West Indies Cricket Board of Control after the disappointing gates in Trinidad and nothing from Guyana.

The fact that there was no television may have helped and certainly the cricket board in Trinidad will be thinking whether they can afford to televise a full day's play in the future.

The estimated gate on each day was between 12,000 and 14,000, of whom more than 2,000 came from the UK.

Although some of the visitors did experience seating problems, one must compliment the Barbados Cricket Association for their efforts to cater for crowds of this size and also to entertain almost as many officials, both from England and the other West Indian islands, as at a Lords test, because they do it all without any paid administrators.

This is a remarkable effort and means that a great many people do an enormous amount of voluntary work so that it is easy to forgive the odd mistake which inevitably occurs.

In most two-innings matches, and especially Tests, it pays to bat on winning the toss.

However, even though England appear to be heading for another heavy defeat, nobody could quarrel with Ian Botham's decision to put in the opposition, as the pitch was more heavily grassed than usual and contained some moisture so that it assisted the pace bowlers more than I have seen on this ground.

His putting in of the West Indies was more than justified by the four wickets taken in the first session by his unexceptional seam attack.

A quality attack would probably have bowled them out for around 120, while I hate to think what would have happened if Clive Lloyd's formidable foursome had been operating on that first morning.

There has been a great atmosphere throughout the first three days. The cricket has been full of interest, with the ball tending to dominate the bat because the pitch has not been quite up to Test standard.

The highlight of the West Indies' first innings was a fine century from Clive Lloyd, who rescued his side from near disaster.

Although English supporters were reasonably satisfied to have dismissed the West Indies for 265, it would have been well under 200 if Bairstow had not missed three chances, one of which was very easy.

England's reply was like the Budget, predictable, painful and disappointing.

Holding produced two devastating overs. In his first he knocked out Boycott's off stump and in the first over of his second spell he removed Botham who had played a few shots which gave some hope of a revival.

For the rest it was largely a steady procession against high quality pace bowling on a wicket which gave them some encouragement, though Gooch and Gower briefly suggested that they had the time and the ability to play a major innings.

TV fee review body call

SIR IAN TRETHOWAN, BBC director general, has urged the Government to allow the Corporation's production costs to be compared with those of ITV and to let an independent review body recommend a TV licence fee in the autumn.

"I believe that on any fair, impartial comparison it will be discovered that what we are providing is exceptionally good value for money," he said.

Sir Ian, said the BBC needed a £50 colour licence fee less than £1 a week for all BBC services, and equivalent to two pints of beer a week.

TENNIS BY JOHN BARRETT

Problems pave the road to riches

THE UNEXPECTED loss by world champion Bjorn Borg to the 25-year-old German, Rolf Gehring, in Brussels last week can be attributed to fatigue, following a gruelling but lucrative exhibition tour with Vitas Gerulaitis in Australia and the Far East.

While Borg, having established his reputation, is busy exploiting it at the head of the professional game, it is worth reflecting upon the problems facing a young player just embarking on this rich tennis trail.

Jeremy Bates is 18—a past national under-12 and under-18 grass court champion who has served his junior apprenticeship in British tennis.

Father, Sam, a retired controller in British Telecom, and his wife, Marjorie (a nurse who still augments the family income), have spent the past seven years around the British junior tennis scene. It is expensive and time-consuming.

National team manager Paul Hutchins attached Bates to the Davis Cup team that beat Italy 10 days ago because he believes the Warwickshire junior is the best prospect of his age in Britain.

The LTA will invest about £6,000 over the next two years to give Bates the chance to establish himself as a fledgling professional. In return, Bates is contracted to return 50 per cent of any prize money to the LTA and must undertake to train and practise as requested.

The problem for Hutchins, as for Bates or any other aspiring youngster, is to climb aboard the whirling Grand Prix roundabout, where the entries are determined purely on a player's computer ranking, except for those occasional home tournaments where a wild card (free place) can be awarded.

Ranking points can only be won at Grand Prix tournaments themselves or from satellite circuits or other tournaments where the prize money for men exceeds $25,000.

This year, there are 95 Grand Prix tournaments in 31 countries, offering $14m in prize money. Each tournament must run a qualifying unit equivalent in size to the main draw, but there, too, entries are based on computer rankings.

The satellite circuits do at least in theory offer a pathway to paradise. There are now 24 circuits in 16 countries, but the problem is that only in the play-offs at the end of the three or four weeks of points-linked tournaments are ranking points awarded.

Computer points, then, are the beginning an end of a player's career. No points means no tournaments, which means no income.

For a boy like Stephen Shaw of Middlesex, a talented contemporary of Bates who had no points and no capital to invest in the gamble of satellite circuits, the only solution seemed to be an American university. To his credit, he earned an invitation to the University of Alabama by qualifying for the Orange Bowl an dthen reaching the last 16 on a self-financed tour last December.

The breakthrough for Bates occurred last September, when he earned two ranking points by qualifying for the British Hard Court Championships at Bournemouth. He was then sent to the Dutch satellite circuit, where he finished in fourth place, and the Swedish circuit, where he was ninth, and these two results added to his tally.

There followed a trip to America for the Sunshine Cup team competition and the Orange Bowl Tournament, and then came King's Cup duty for Britain in January. Four more points came from the recent French satellite circuit, so that now Jeremy stands at about number 350 in the world rankings.

With competition as intense as it is, even this modestly successful progress will not gain him entry to the main stream of Grand Prix tournaments.

For every spectacular success, like 20-year-old Ivan Lendl's progress last year from 20th in the world to sixth, there are dozens of Jeremy Bates' vying for entry into the charmed circle of regular Grand Prix competitors.

From the British point of view, it is said that there is no one challenging Bates, and regrettable that so good a prospect as Andrew Jarrett, who, with Jonathan Smith, earned the vital doubles point against Italy, should have taken the soft option of lucrative club play in Holland, rather than the tough grind of Grand Prix qualifying.

Until we have the numbers—which means more indoor facilities—we will not produce the quality.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

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Telephone: 01-248 8000

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The Thatcher Cabinet

MRS. THATCHER clearly does not like Cabinet changes. Ever since she became leader of the Conservative Party in 1975, she has basically accepted the team she inherited from Mr. Heath. There have been only two notable dismissals over the whole period—that of the late Mr. Maudling as shadow spokesman on foreign affairs in 1976 and that of Mr. St. John-Stevas as Leader of the House early this year. Other opportunities for change have never been taken, even though the Prime Minister has been strong enough at times to have formed an entire Cabinet after her own image.

Damaging

Yet Mrs. Thatcher does not seem to like Cabinet government either. Her decisions are rarely reached after discussions involving the Cabinet as a whole. Sometimes there might be a Cabinet committe, at others an *ad hoc* group, but at no stage during her leadership has there been an impression of a Cabinet working together. Mrs. Thatcher, for instance, has never invited the Cabinet to a weekend at Chequers to review the Government's progress and to consider what to do next. She prefers to rely on her own instinct, on her appeal to backbenchers and to the Party in the country rather than on the collective advice of her most senior Ministers.

Some of the reasons for this are obvious enough. The Conservative Party is divided. It is especially divided on matters economic and these divisions are at their sharpest inside the Cabinet itself. If last week's budget proposals had been put to the Cabinet in time for discussions and revision, it is quite likely that some of them would have been rejected. Thus Mrs Thatcher has chosen so far to govern over the Cabinet's head.

The time has come, however, when the divisions are damaging both to the Government and to the country. When it emerges on budget night that perhaps half a dozen members of the Cabinet are opposed to the Government's economic policies, it becomes very difficult for those outside to believe that the policies will be sustained. You can only ignore your senior colleagues if you are very powerful; Mrs. Thatcher at the moment is not all that powerful.

There are faults on all sides. It was a curious act on the part of the Prime Minister to make Mr. Francis Pym responsible for the co-ordination of Government policy, and then to do very little in the way of consulting him over what Government policy is, or should be. You cannot co-ordinate if you are kept in the dark. Mr. Pym would be a considerable ally for Mrs. Thatcher to lose.

Equally, those Cabinet critics of the Government's economic policies have been singularly deficient in coming up with an alternative strategy. Instead they have been engaged in rather sterile arguments about the true nature of Conservatism. They appear to regard economic indicators with the same sort of distaste as the old English upper classes used to show towards anyone involved in trade. It is not clear that they have any ideas about how to run the economy without a return to accelerating inflation and without attempting to spend the same money several times over.

There is also a peculiarity about Sir Geoffrey Howe. The Chancellor of the Exchequer claims to be looking for a way of encouraging private investment in the public sector that would bring about a measure of *denationalisation at the same* time. The necessary capital expenditure would be counted outside the conventional definition of the public sector borrowing requirement.

Resignations

It might be said that this is precisely what some of his critics want in order to help overcome the recession. The trouble is that few of them seem to have heard of it. Yet here is an instance where the Cabinet could perhaps be brought together and the sceptics shown that there is more to Government policy than the pursuit of monetary targets. Sir Geoffrey should try it, the *Prime Minister permitting*.

That would be one attempt at reconciliation. If the factions cannot be united, however, there may soon have to be more drastic action. The choice lies between sackings and resignations.

Oil companies' spending spree

IT IS NOT only Arab oil producing countries which have difficulty deciding what to do with new-found wealth. In recent days there has been an eye-catching series of takeover bids for U.S. mining and mineral resource companies by U.S. oil corporations. Sohio, a subsidiary of British Petroleum, is to buy Kennecott, the copper producer, for \$1.77bn and Socal has offered \$4.8bn for Amax. Meanwhile Seagram, the drinks company, has bid \$2bn for St. Joe Minerals Corporation, thus deploying cash which it raised through the sale of an oil and gas business last year.

These bids reflect the boost to oil company income caused by the second wave of OPEC oil price rises in 1979-80 and by the move towards price deregulation on petroleum products in the U.S. Sohio provides an extreme example. Having stretched itself financially in the early 1970s to exploit its Alaskan oil, it was able to build up its Alaskan production just as the world oil price surged upwards for the second time.

Wider base

The source of sudden wealth is clear, but why the sudden rush to buy large mining concerns? The most obvious thing an oil company can do with its cash flow is to assure itself of more oil and gas for the future. Spending here does indeed predominate. The U.S. oil industry will invest a total of about \$75bn in 1981 and of this at least \$50bn will be spent on oil and gas exploration and another \$10bn on other aspects of the business like refining and marketing.

These sizeable bids are thus only the tailings of the oil industry's investment strategy. They are the latest examples of a desire, long established among oil company executives, to widen the business base for some future moment when oil reserves become hard to find. This diversification has taken the oil majors into different sources of power, such as nuclear energy and coal, into a spread of completely unrelated business—retailing and office equipment—and, as is now fashionable, into the business of mining other natural resources.

It appears that the election of President Reagan has prompted a scramble to get on with this diversification. A general perception that a Republican Administration may be lenient in its anti-trust and environmental policies has apparently spurred the oil companies to get their bids in while the obvious target companies are still on offer.

These bids may revive criticisms in the U.S. of the conglomerate type of merger, which does not create dominance in a particular business sector but which uses influence and financial resources gained in one area to establish influence in another. After many years of experiment the economic benefits of the conglomerate remain unproven.

Disappointing

The anti-trust division of the Justice Department has been prompted by the size of the three deals to investigate them. But Mr. William Baxter, the new U.S. President's nominee as head of the division, has already said that he opposes legislation to limit the diversification of oil companies.

Apart from misgivings about concentration of economic power, there remains the question whether this diversification is good business.

By and large, the fruits of it have so far proved disappointing. The unexciting results of widespread moves into coalmining may be justifiable on a long-term view—coal lays claim to be the feedstock of the future. But Mobil's sortie into retailing has so far proved a loser.

BP's expansion into petrocemicals has been a drain on profits. There is now a question marks over Exxon's assault on the office equipment market.

The boom in oil profits represents another case where a sudden cash surplus could well be returned to shareholders rather than be invested on their behalf by oil company managements moving outside the area of their expertise. There is no reason to believe that oil companies allocate capital more efficiently or far-sightedly than the broad spread of their investors working through the stock market. Large take-over bids provide the shareholders with an involuntary stake in another business, at a price much higher than they would pay themselves and usually lowering the stock market valuation of their oil company in the process.

WEST GERMAN ECONOMY

The miracle is not yet over

By Jonathan Carr in Bonn

Chancellor Schmidt is said to have staked his reputation on dealing with West Germany's energy problem, but investment in domestic nuclear power stations remains blocked for political reasons. And the protests over the *construction of the Brokdorf station* (above) have spotlighted the divisions within the ruling SPD party.

WEST GERMANY is gaining a new and highly unflattering image abroad. It is that of the ageing champion boxer—a bit fatter and a lot slower, who mumbles he is still the greatest, even as he sinks groggily on to the ropes.

What has become of the "land of the economic miracle," it is asked, where current account surpluses, a hard Deutsche Mark and diligent workers seemed as much a part of the natural order as beer and *wurst*?

Is it true that the Germans have lost their international competitive edge — that the country is doomed to a vicious circle of deficit, currency depreciation and rising inflation? In a nutshell, have the Germans caught the so-called "British disease" (although in view of Britain's current surplus, relatively strong pound and declining inflation it may now be necessary to redefine this ailment)?

The short answer is that the Germans are doomed to no such thing—with two provisos. They must take more effective action to reduce the crushing burden of imported oil and they (like other Western industrialised states) must pull their socks up to meet ever tougher competition from Japan.

The biggest single reason for the doubts—and for the relatively weak performance of the Deutsche Mark over the last 18 months or so—has been West Germany's plunge into current account deficit. Plunge is not too strong a word to use for a country which had a surplus of DM 17.5bn (£3.73bn) in 1978 but went DM 10.1bn into the red in 1979, increasing the deficit to DM 28.1bn last year when it was much the biggest deficit in the Western world.

It is little wonder that investors take a more quizzical look at the D-mark than before, then diversify into dollars and even pounds or French francs.

It is worth examining how this deficit has emerged since this gives a partial answer to the charge about falling German competitiveness. Leaving oil aside for now, the two big items in the red last year were transfer payments (such as those paid to their home countries by guest workers in Germany) of minus DM 24.3bn and services (including the sums paid by Germany for their foreign holidays) of minus DM 14.2bn.

There are in theory two clear ways in which the Germans could rapidly improve their position here. They could send home a lot of the foreign workers (although the injustice of this and the shocking impact on the poorer economies of Southern Europe hardly need underlining). They could impose controls on foreign tourism as, for example, Britain used to do. This would also have a serious influence on the payments position of Spain, Italy, Greece and North African countries where so many Germans take their (lengthy) holidays. The Government has thus ruled out both *these possible steps*.

West Germany has almost always had a deficit on services and transfers—but this was not so readily noticed by other countries in the 1960s and 1970s. This was because the Germans produced such huge surpluses on their visible trade that these more than made up for the deficit on "invisibles". Now they do not. Last year West Germany had a visible trade surplus of "only" DM 9.1bn after one of DM 22.4bn in 1979 and of DM 41.2bn in 1978. It is surely these figures which provide the best evidence for those who believe Germany has begun to slip down the world economic league table.

In fact, it is nothing like so simple. West German exports actually grew faster last year in real terms (4.3 per cent) than did imports (2.5 per cent), whereas in 1979 and 1978 the position was the opposite. Indeed, in 1975 (the year of the last major German recession) German exports in real terms actually fell by 11.5 per cent while imports rose by 0.6 per cent—although this (for the Germans) depressing fact passed relatively unnoticed by the rest of the world. After all, the "nominal" trade surplus *was DM 37.3bn in that year and* the D-mark as hard as a rock.

The currency markets (among others) tend to look first at "nominal" figures — which thus become more influential in the short and medium term than so-called "real" ones. After all, relative price movements for exported and imported goods are a real factor in world affairs, whether they are called "nominal" or not.

This brings us closer to the heart of the matter. Last year West German export prices rose on average by 6.9 per cent (and by only 5.7 per cent for finished products in which the German export effort is particularly strong). But import prices *increased* by 17.6 per cent, in particular because of a rise of 33 per cent for raw materials (including oil) and semi-finished goods.

If the trend continued *ad absurdum* one could envisage the Germans exporting a huge volume of vehicles, machinery and the like in order to earn the price of a barrel of oil.

This does not mean that the Germans have no export problem, but that their main difficulties lie on the import side.

And the core of that problem is Germany's continued dependence on imported oil for nearly one half of its energy needs. Last year oil imports by volume were *slightly below the* 1973 level but the Germans had to pay more than DM 60bn for them compared with DM 15bn before 1973. Put another way, the real income of West Germans would have been more *than DM 30bn* (two per cent of GNP) higher last year, if the country had been paying for its oil at 1978 prices.

It would be wrong to suggest that the Germans have taken no measures to free themselves from this oil-import dependence. But it is plain that they have done nothing like enough, and that the country has suffered from the lack of a clear political lead.

Chancellor Helmut Schmidt is said by aides to have staked his political reputation on dealing with the energy problem—but there has been little firm sign of this in public. The main reason is clear enough—a deep division within his Social Democrat Party on nuclear energy. This has found its most recent and clearest expression in the shilly-shallying by the ruling SPD in Hamburg over the future of the Brokdorf nuclear power station—for many an astonishing sight in a city once famed for the quality of its political leadership.

The time is surely near when the Government must take a much more radical line on energy policy — including a broader role for nuclear power. This would help further to improve the country's export performance. The investment of billions of D-marks in domestic nuclear power station construc*tion remains blocked by* political dithering and delays in the courts. Without a buoyant domestic market, the Germans will also lose their export chances in this high technology field.

If the country's major domestic/import problem is energy, then its biggest external export challenge is Japan. Comparative figures for one year alone do not make this challenge wholly clear. For example, in 1979 the Federal Republic captured 10.5 per cent of the world export market, compared with Japan's 6.3 per cent. West Germany was the world's top exporter in 17 of 28 major industrial product groups, the biggest export supplier of the industrialised countries and the main Western supplier of the state trading nations.

On the other hand, the Japanese have almost doubled their share of world exports since 1960. The Germans have only slightly increased their's (from 8.9 per cent) over the same period, while both the U.S. and Britain have lost ground.

Further, the Germans and the Japanese are increasingly colliding with one another with similar products in areas—like OPEC—with above-average import growth rates. There is evidence that the Japanese are quicker and more flexible in adapting to changing market conditions.

This it not a challenge which the Germans could combat with a falling currency to gain an export price advantage. The high-technology, high-value goods with which Germany must pay its way in the world are not snapped up by customers because they are cheap, but because they are of high quality, are delivered punctually and are accompanied by *thorough after-sales service*. In any case, the strength of the dollar partly because of the "Reagan bonus" has tended to obscure the fact that the D-mark is once again the strongest currency in the European Monetary System. Increased German interest rates are one reason for this—but an underlying factor is a German inflation rate markedly *less than that in almost all Western* countries.

None of that means, of course, that the Germans can afford to ignore the price factor and let their goods sell themselves on quality alone. The German record in holding down wage costs per unit of output has been good in recent years, compared with that of many Western partners and competitors. But, again it is not as good as that of Japan.

It is not hard to conceive a horror scenario for West Germany and its export effort—made up of the following three elements.

First, the Government, rattled by the existence of 1.3m unemployed seeks a short-term economic boost and finances it through increased borrowing.

Secondly, the Bundesbank unilaterally weakens its high interest rate policy before international conditions make this appropriate, causing outflows of capital, a weakening D-mark and increasing inflation.

Thirdly, accords are reached in the current wages round which are well beyond what is justified by the expected inflation rate and productivity improvement.

However, it is highly unlikely that Government or Bundesbank will take any such action—and the sabre-rattling on the wages front should not hide the fact that in the one main accord reached *so far (in the building* sector) an increase of 4 per cent was agreed, though inflation is currently running at an annual rate of 5.5 per cent.

No-one can guarantee the Germans a top place in the economic league table in the 1980s. But if they can cling to their relative advantage on inflation and their relatively sound labour relations, and add to that a firm programme to cut oil dependence, their prospects are far from poor.

That is a big "if"—but which Western European country has no question-mark over its economic future? To revert to the image at the start of this article—the old champ may yet rebound from the ropes, to give his astonished opponent a bloody nose.

MEN AND MATTERS

Oh, Sir Charles do not touch . . . .

What splendid Victorian melodrama is unfolding from Sir Charles Forte's £58m bid for the Savoy Hotel group.

"This really is a move to satisfy his vanity," quoths Savoy chairman Sir Hugh Wontner, rejecting the suit with aristocratic disdain for a man getting above his service stations.

Why, Sir Charles was once "practically nothing" and "our hotels would fall to his level," he says.

Deputy chairman Dame Bridget D'Oyly Carte shrinks from the Forte touch, waving letters from THF customers alleging "horrors" in his establishments and imploring shareholders not to let him get his hands on their assets.

Forward again Sir Hugh to declare that the Savoy is "an historic part of London that it is my duty to preserve."

The hisses for his entrance do not deter the spritely 73-year-old "villain" of the piece. Sir Charles has played the scene before in Paris where they took to the streets in 1968 to defend the virtues of the George V and Plaza Athenée from the designs of this "upstart milkbar operator." He triumphed there, of course.

If he does so again, Sir Charles plans to tackle his alleged down-market image by setting up a new division of THF to manage the luxury hotels separately.

The Savoy, Claridges, Berkeley and Connaught would be put together with his Grosvenor House and Hyde Park in London, and the Paris pair.

But before that curtain, he has another scene in mind—the eviction of Sir Hugh and Dame Bridget from their private suites at Claridges and the Savoy, and more directors from their seats at the amply furnished Board.

Going overboard

Gastronomes who live within a couple of hours' drive of the Channel ports can now get more economical satisfaction from a trip to Calais, Boulogne or Dieppe for a meal.

So says Christopher Driver, editor of the Good Food Guide, whose ingestive inspectors report for the first time this year the *results of a foray* into the French towns.

Those who follow their lead, says Driver, will find "sensibly composed and competently cooked meals at prices often literally half what they would have been in this country."

The Guide's venture tends to support the view that prices charged in British hotels and restaurants are "ever-so-polite rip-offs." Off-season day trippers can eat, buy their duty-free drink and a full load of shopping and at least break even on what they would have spent here, he claims.

Northerners who cannot make a cheap excursion to France, he suggests, are better provisioned and provendered any way than those in the southern counties.

This is the Guide's 30th year. When Raymond Postgate first published it in 1951 "British restaurant eating was by and large so terrible that it could only get better," says Driver.

Stage line

It looks as if President Ronald Reagan may choose another former Hollywood actor as his ambassador to Mexico where, in the interests of its future oil and gas supplies, the U.S. maintains its largest foreign mission.

The name of John Gavin has been dropped around Mexico City to test reactions in that sensitive outpost. And so far they have been predictably mixed.

Like Reagan, a one-time president of the Screen Actors Guild, Gavin has played minor roles in films such as Psycho and The Mad Woman of Chaillot. But he is better known to millions of Mexicans as the suave, tuxedoed character who drinks bacardi rum in local television ads.

Apart from a few tart suggestions from officials that perhaps Mexico should offer to send its screen star Cantinflas to Washington in exchange, the initial response to Gavin's heralded arrival was fairly quiet.

But then the Mexican Press dug up copies of a Los Angeles speech by Gavin last November in which he called the country's agricultural problems "disastrous." Protests followed about his interference in Mexico's internal affairs and the columnist of Mexico's leading newspaper pronounced him "mediocre."

Gavin has credentials, however, that make him more acceptable than this outburst would suggest. His mother is Mexican, he speaks fluent Spanish and he studied Latin America at Stanford. Then, of course, he has the ear of Reagan himself.

Stock taking

Even in the remotest pastures of Portugal this year, tourists are likely to find themselves caught up in a crowd of native camera-carriers. The Government has just ordered photographs of the country's 1.3m cows and bulls.

It is not yet clear who will rove the farms to record these photogenic ruminants for posterity and the national archives. But the Government is determined that every member of its bovine population should in future have a proper identity card with a photograph and registration number.

The move comes, for reasons of public health, from the Agriculture Ministry. It pays a grant to farmers or breeders when they are forced to slaughter cattle suffering from brucellosis or tubercolosis.

But in the wild and distinctly individualistic regions bordering Spain, enterprising farmers have been smuggling in diseased Spanish cattle. These have been passed off as Portuguese beasts, slaughtered, and paid for out of *the agriculture fund. Hence the* effort to tell one moo from another.

Royal exchange

British diplomats, checking final details of the Duke of Edinburgh's visit to Cairo next week with Egyptian protocol *officials, were told that answers* were still needed to two questions: "Is the Duke married?" —and, if so, "Is he bringing his wife with him?"

Observer

The tinplate buyers who won't come back

By Hazel Duffy, Industrial Correspondent

IN THE next few months, Mr. Ian MacGregor, British Steel Corporation's chairman, must return to the Government with evidence that he has succeeded in recapturing the markets lost after the steel strike of last winter. If he cannot produce such evidence, there will be no alternative to more savage cut-backs in capacity, reducing still further the core of the British steel industry.

The enormity of the task can be judged by looking at just one product, tinplate, which used to be one of BSC's most consistently profitable activities. BSC is Britain's sole producer of tinplate *(the thin sheets of* steel coated with tin used in most cans) and has normally supplied between 80 and 90 per cent of the country's requirements, as well as exporting about a quarter of its production.

Yet last year—the year of the steel strike—the UK imported 306,000 tonnes of tinplate, against 131,000 tonnes in the previous year. In 1974 imports were only 53,000 tonnes.

Mr. John Sowerbutts, BSC Tinplate director, admits that the division is losing money "which is substantial in relation to the *size* of our operation." His economies plan—which formed part of the BSC corporate plan submitted to the Government last December—is to reduce costs throughout the division by cutting staffing and manning levels so that BSC can compete with imports. The plan has yet to be accepted by the workforce Velindre, near Swansea, which BSC wants to cut back by two thirds.

BSC has three tinplate works, at Ebbw Vale, Trostre (near Llanelli) and Velindre, which have a total capacity of around *1.5m tonnes. According to BSC* forecasts, however, tinplate sales will be running at some 850,000 tonnes in 1981/82, and only a little more the following year. Yet up until the beginning of the steel strike in the winter of 1980, tinplate had been one of the few steel products to be increasing its sales.

IMPORTS OF TINPLATE 1980	Thousand tonnes
U.S.	100
Netherlands	76
West Germany	50
France	35
Belgium/Luxembourg	23
Norway	13.5
Singapore	2.3
Irish Republic	1.4

Source: Hansard. 13.2.81

TINPLATE MARKETS UK production	%
Beer and beverage cans	16
Food	37
Petfood	10
General line (paint cans, tobacco tins, etc.)	25
Others	12

Source BSC

There are a number of *reasons for the slump in tinplate* sales in the past year, some of which are peculiar to this specialised and high value product, but others are repeated throughout BSC.

● First, the recession. Consumption of canned foods and beverages has dropped in the past 12 months, the fall being particularly dramatic for canned drinks. More than 90 per cent of tinplate sales are to the packaging industry—to canmakers like Metal Box, Heinz, American Can and Nestle—so the size of the overall market *has shrunk appreciably.*

De-stocking by the canmakers has also been a major factor in the fall in tinplate sales, and this was intensified by the distortions in normal stocking levels caused by the steel strike. The canmakers were caught by the length of the strike, and by about the ninth and 10th weeks (into March, 1980), they were looking around for alternative supplies.

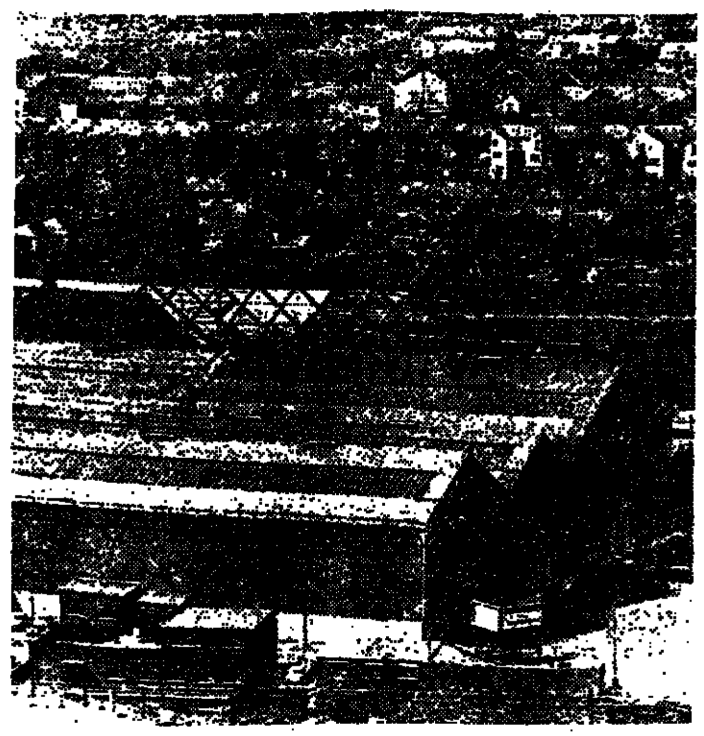
As it happened, they stocked up with imports in anticipation of a good summer—which would have had a significant effect on sales of canned drinks—only to be left with one of the worst summers on record and a lot more tinplate than they needed. Only in the past month or so have orders started to return to a more normal pattern.

● Second, the strike. This had a *prolonged effect* on the pattern of ordering, but far more damaging has been the ease with which the canmakers found they could pick up tinplate in the U.S., Europe and even the Far East. In retrospect, the steel strike, coinciding as it did with the onset of a vicious recession, has wreaked untold damage on BSC.

BSC's share of the tinplate market dropped to little more than half after the strike. It has since recovered some of its market share, but Mr. Sowerbutts agrees "we still have quite some way to go before we regain our past share."

The price of imported tinplate does not appear to be the biggest reason for the imports surge.

Far more important is the declining confidence of customers in BSC. Metal Box, for instance, which is the biggest *single customer* of BSC Tinplate, is clearly determined that it will never again have to shut down some of its own factories for lack of tinplate because of picketing by steel union members.



Ebbw Vale tinplate works

Mr. MacGregor's team of salesmen throughout BSC is finding that it is very much more difficult to get back customers than it is to lose them. Unless they can do just that the future for BSC is grim.

● The third important factor for tinplate is quality. The cost of tinplate is a significant element in the final cost of a can, and the canmakers are always looking for ways of reducing the amount of tinplate needed.

The most successful alternative to the traditional can is the so-called two-piece can, which is now being used widely for beverages (beer and carbonated soft drinks) and increasingly for the growing petfoods market. The quality of tinplate needed for these cans is more exacting than for the traditional can, requiring a "cleaner" steel for the thinner *tinplate.*

But BSC has not been able to provide consistently the right quality tinplate for this growth sector. Quality is improving, say customers, following the decision to bring in all the hot rolled coil for this particular tinplate type from Ravenscraig in Scotland. Ravenscraig is the only strip products plant within BSC which enjoys continuous casting facilities until similar plant is completed at Port Talbot.

BSC also hopes it has solved the problems of controlling the gauge of tinplate by investing in computer control of the cold reduction mills at all three tinplate works, at a cost of £12m.

The customers, however, will wait and see whether BSC's quality problems have indeed been solved over a longer period. In the meantime, there is no shortage of quality tinplate available in the U.S. and elsewhere. Two-piece cans are also using aluminium as an alternative material — four out of 10 of Metal Box's two-piece lines are aluminium and the next two to be put in will be able to alternate between the two metals. Continental Can's recently commissioned two-piece plant at Wrexham, North Wales, is using aluminium.

As a supplier of a primary material, BSC's future depends to a great extent on the recovery of activity among its customers, and that depends on the future competitiveness of British industry. The lessons to be learned from tinplate, however, are that too little attention was paid to quality until too late in the day. The problems were intensified by the strike and the recession, and now BSC finds itself trying to repel the foreign hordes — but with insufficient armour with which *to protect itself.*

VELINDRE'S ANGER

INVESTMENT in equipment is one part of the formula that leads to a quality product, but the workforce at Velindre is arguing that investment in people is just as important. It was early in December that the 2,200 plus workforce at Velindre was told that BSC planned to reduce the number of shifts worked to six a week against 20 when fully loaded. It would retain sufficient manpower, however, to go up to 10 shifts in order to preserve flexibility.

In terms of people, the plan called for 1,571 redundancies. The South Wales steel industry has already been hard hit. People at Port Talbot and Llanwern have been taking their redundancy money without much of a protest in the light of the horrifying market for steel. But the Velindre workforce says that BSC is picking on the wrong works in rationalising its tinplate production. They plan to fight the Corporation through the courts if necessary, claiming that BSC failed to consult them under the *terms of the* Iron and Steel Act.

The Velindre works council says the works has been profitable in every year except 1976. Over the past eight years, it has made a profit of £42m, which has subsidised the less efficient operations at Trostre and particularly Ebbw Vale.

Velindre workers say that Ebbw Vale secured its £57m tinplate investment as compensation for the closure of steelmaking which has seen the workforce tumble from more than 11,000 in the early 1970s to just more than 2,000 today. Ebbw Vale now has certain facilities such as a double reduction mill, which can produce thinner tinplate, that Velindre cannot boast. But, says Velindre, the Ebbw Vale workforce is not trained in tinplate production.

Mr. Dai Davies, secretary of the trade unions' tinplate board and a member of the TUC steel committee, admits "I could not believe it when I was told that Velindre would be the works to suffer most in this plan. BSC has always extolled the virtues of Velindre." He proposed a plan for worksharing between all three plants.

The proposals have been rejected by BSC, however. BSC says that it does not have enough orders for even two of the three works at present, but it wants to preserve a sufficient capacity margin at Velindre so that it can respond to seasonal variations in demand. BSC was caught on the hop by the blistering summer of 1976 when it could *not provide enough tinplate* for the thirsty canmakers, but Mr. Sowerbutts is convinced that even if those balmy days should return, he will have sufficient capacity to respond.

He emphasises that it is not BSC's intention to close Velindre but to build it up again when the market justifies this course. Mr. Dennis Jenkins, chairman of the works council, fears that there will be little chance of a partially loaded works surviving the reappraisal to be conducted throughout BSC in the summer.

Letters to the Editor

Administration of justice

From the Lord Chancellor

Sir,—On March 6 you published an article by Mr. A. H. Hermann headed "A red light for English courts." On March 13 you published a fresh article headed "Streamlining the Law Courts." Both make sweeping assertions upon little evidence (some of it inaccurate), ignore all that is now being done to improve the administration of justice, and give a totally false impression by citing only extreme cases. It would take too long to deal fully with the defects of both articles, but some points must be corrected.

It is said in the first article that there are no more than 100 High Court judges (there are in fact 75, and 18 Lords Justices of Appeal); but no *mention is there made of the* circuit judges, who deal with both civil and criminal business. The number of these now stands at 334. Most of the population are said to be deprived of the possibility of demanding justice in a court of law; the existence of the county courts, which deal with the enormous majority of civil cases and will soon deal with appreciably more, is in the first article wholly ignored. One incorrect decision by magistrates is cited in support of the contention that something is wrong with the training and education of lawyers, without any reference to the reforms undertaken in response to the Ormrod and Benson reports. Unfavourable comparison is made with the prosecution policy for petty offences in the U.S., but there is no reference to the work now in hand to the same purpose in this country.

In respect of criminal business, incorrect information is given. The number of persons committed for trial each year is not 200,000 or anything like it. The actual fact is that last year there were 56,000 commitals for trial involving some 85,000 defendants. This is a somewhat startling error. The Israel-British Bank case is cited as an example of the length of proceedings, giving a wholly distorted impression of the true position, which is that the average length of a contested trial is eight hours. No doubt it could be shorter; but why no mention of the measures which have been proposed, for example by the Criminal Bar Association, to reduce the length of proceedings?

The legal aid system, where it is not ignored, is totally misrepresented. So far from being available "only to the very poor," it now covers about three-quarters of the population. Mr. Hermann does not seem to realise that where civil cases are not financed by legal aid, they are frequently paid for out of untaxed income, by an insurance company or a trade union supported by premiums or subscriptions, or else are covered by the low cost arbitration system in the county courts which I inaugurated during my first term of office.

No one concerned with the administration of justice is complacent and a great deal needs to be done. Well-informed comment and criticism is a stimulus. Inaccurate and ill-directed criticism is not. As Lord Denning said in a recent judgment: those who criticise the law should first study the facts.

Hailsham of St. Marylebone.
House of Lords, SW1.

Overhaul the legal system

From Mr. R. Wright

Sir,—It is rarely that a practising lawyer can welcome an article on the English legal system written by a journalist, but Mr. Hermann's article of March 6 is one with which I am sure all lawyers can agree. *It is crystal clear to those* lawyers who are engaged in litigation that the entire system, whether High Court or county court, is hopelessly overburdened.

Civil litigation in the last 20 years has increased many times over but the number of Judges, registrars and masters has in no way kept pace with this increase. The result is that civil litigation takes much longer than it should with the inevitable consequences that the *expense involved is materially* increased. Unless numbers of new High Court and county court Judges are appointed the backlog of civil litigation is likely to increase rather than to decrease. If however the Lord Chancellor decided to appoint large numbers of new Judges there would be a serious risk that the Bar would be denuded of its top talent. The present Lord Chancellor has a curious inborn distaste of appointing solicitors to the judiciary *although* since there are over *40,000 practising solicitors* there is more than a possibility that a not insubstantial number of *them are at least as able to act* as Judges as are counsel.

In truth the whole system of civil litigation needs to be reviewed. Too often it resembles a game of poker played by lawyers who on the instructions of their clients pretend, as the particular case necessitates, that their client has a stronger or weaker case than he in fact has. So far as the procedure is *concerned*, contrary to public belief, neither the Bar Council nor the Law Society has control over it, the same being in fact *controlled* by the judiciary and the Lord Chancellor, in particular the latter. If one accepts Mr. Hermann's article it is crystal clear that the terms of reference of the Benson committee were hopelessly inadequate.

The delay and expense of the civil litigation in England and Wales are primarily due not to lawyers but to the lack of facilities and possibly manpower in its administration, the responsibility for which rests plainly on the Lord Chancellor. The department which he runs is *one* of the more mysterious departments of the Crown, and one which, so far as I am aware, has never been examined. Lawyers have perforce to operate within this administration and they would, I am sure, welcome radical changes which would ensure a more effective and less expensive method of trying cases.

The position could be considerably improved by an increase in the Judiciary; the introduction of modern machinery such as word processors into the courts. (So far as the outside world is concerned the civil courts appear to have none); the introduction of a rule whereby parties contemplating litigation should be obliged to disclose to the other side all relevant documents before the actual issue of proceedings; and, as suggested by Mr. Hermann, the introduction of a system whereby the parties make written submissions to the court in the first place and only appear before the Judge to deal with specific points raised by him and to examine witnesses.

The Crown has since the 12th Century, in theory, owed a duty to its subjects to provide justice according to law. At the present time it is manifestly failing in that duty. Too often such amendments as are made are made not for the convenience of the subject but for the convenience of the Crown. For example, since the High Court is at present overloaded the Crown is endeavouring to transfer civil cases to the county court system. That system in relation to a particular kind of litigant, the creditor, suffers from three serious defects: there is no adequate procedure to obtain summary judgment for those cases where in reality there is no defence; the method of enforcement through county court bailiffs is seriously defec*tive; and there is no provision* for a successful litigant to obtain interest on a county court judgment.

The effect of the Lord Chancellor endeavouring to force creditors, who are justly owed money, into the county court is to give the debtor an interest free loan, whereas the poor creditor has to borrow to cover the amount of the outstanding debt, from his bank.

The civil courts will only provide an expeditious and reasonably priced service when *the department responsible for its administration is examined* in some depth, adequate mechanical facilities and manpower are made *available*, and the rules of the Supreme Court and of the county court are completely reviewed.

R. Wright.
Wm. F. Prior and Co.,
Temple Bar House,
23-28, Fleet Street, EC4.

The cost of counsel

From Mr. R. Burley

Sir,—I refer to the article on London arbitration by A. H. Hermann published on March 12.

As clerk to leading Counsel engaged in one of the reported cases to which you refer I protest at the inaccuracy of Mr. Hermann's assessment of the cost of engaging counsel in arbitrations. On the hearings in one of the cases to which you refer I negotiated and agreed the following fees:

Three day hearing before arbitrators	£1,500
Appeal to commercial court	£1,075
Appeal to court of Appeal	£1,500
Appeal to House of Lords	£2,000

Despite the fact that at the Court of Appeal and the House of Lords hearings the clients chose to brief an additional QC for the appeals this did not add more than a total of £6,500 to the fees and this figure covered the cost of two of the most expensive senior Queen's Counsel in practice at the Bar.

The exaggerated figures given by Mr. Hermann cannot but harm the reputation of the Bar and it cannot help the cause of London arbitrations, to present such an alarming picture of the costs involved.

The fact that so many "international" contracts provide for English arbitration is surely one important facet of the position which the City holds in the financial and commercial world. A position which I am sure your paper would not wish to undermine.

R. Burley.
1, Brick Court, Temple, EC4.

Voices at Lloyd's

From Mr. K. Ohlson

Sir,—In his letter (March 12) on the subject of Lloyd's Parliamentary Bill, Mr. J. Burrows, writing as an external member, makes a plea for a united council and committee who will speak with one voice for all members and nobody would disagree with this sentiment. The problem as to how this can best be achieved is more difficult: his suggestion that all names, internal and external, should vote for the nominees on a common list, will not produce the answer.

All seem agreed that the internal names, who are the professionals working day in day out in and around Lloyd's, are the correct persons from whom the majority of the council and the committee should be drawn. Thankfully, despite the sacrifice that many have to make, there are plenty of people at the top of the tree who are prepared to give their time, energy and knowledge for the benefit of all. Obviously, some will have more to offer than others and the longer the list the more disagreement there will be as to *the most suitable.*

The internal members who know and work with them will soon sort out the best. If the external names are brought into the picture what will they do? Seek advice from the agent or broker, if they have not already been lobbied, with the result that a nomination from the largest will always win.

Sir Henry Fisher no doubt appreciated this when he suggested the new constitution. Further, he was probably confident that it would not take the external members long to find from among their number competent, balanced people who would quickly learn and so contribute to the inner workings of Lloyd's to the common good of all.

K. B. Ohlson.
Sawyers,
Walton-on-the-Hill,
Tadworth, Surrey.

Save the canal network

From the Chairman, Inland Waterways Association

Sir,—The Inland Waterways *Association is in* complete agreement with Sir Frank Price, chairman of the British Waterways Board, and fully supports his plea (March 10) for increased funds to save the canal network from impending disaster.

Ever since the 1968 Transport Act, this association has urged successive Governments to make available sufficient funds to ensure the continuing use of this part of Britain's national heritage. During the present time of massive unemployment it would seem to make economic sense to allow the British Waterways Board, in a labour-intensive industry, to increase its manpower, thereby reducing the general level of unemployment and at the same time helping to save the canal network at little or no extra cost.

John Heap,
The Inland Waterways Association,
114, Regent's Park Road, NW1.

Today's Events

GENERAL

UK: Sir Keith Joseph, Industry Secretary, and Lord Sieff, Marks and Spencer chairman, speak at British-Israel Chamber of Commerce dinner, Savoy Hotel, WC2.

Mr. Jeremy Isaacs, Channel 4 chief executive, talks about hopes and plans for the Channel to the Institute of Public Relations, London.

Building workers' pay talks.

International Engineering In*spection and Quality Control* Exhibition opens, NEC, Birmingham (to March 20).

The Queen opens equine viral unit at Animal Health Trust laboratories, Newmarket.

Overseas: EEC Foreign Ministers start two-day meeting to plan agenda for European Council on March 23-24.

EEC Agriculture Council meets in Brussels to consider Commission's farm price proposals for 1981-82.

EEC Finance Ministers discuss farm price package, Brussels.

PARLIAMENTARY BUSINESS

House of Commons: Conclusion of Budget debate. Motions relating to the Town and Country Planning (National Parks) and General Development (Amendment) Orders.

House of Lords: House of Commons Members' Fund and Parliamentary Pensions Bill, committee stage. Wildlife and Countryside Bill, report stage. European Assembly Elections Bill, third reading. Trees (Replanting and Replacement) Bill, *third reading.*

Select Committee: Home Affairs, on Administration of the Prison Service. Witness: Mr. William Whitelaw, the Home Secretary. Room 8, 4.30 pm.

OFFICIAL STATISTICS

January provisional index of industrial production. Balance of payments current account and overseas trade figures for February. February provisional figures for retail sales.

COMPANY MEETINGS

See Financial Diary on page 25.

COMPANY RESULTS

Final dividends: W. Canning. James Fisher and Sons. Metalrax (Holdings). Relyon PBWS. Trade *Indemnity.* *Waterford Glass.* H. Woodward and Son. Interim dividend: Victor Products (Wallsend).

UK COMPANY NEWS

● AVANA'S £17.5m BID FOR ROBERTSON FOODS

A shortage of ammunition for the defence

BY TERRY GARRETT

Shareholders in Robertson Foods have had a long wait. As far back as 1969 Mr. Charles Robertson, the then chairman, said "Approaches to our company are the rule rather than the exception." At the time the shares were changing hands at over 110p. Ever since Robertson's share price has come in for occasional bouts of speculation but not until now have shareholders been able to savour a firm offer.

Avana, another food group, is using its own highly rated paper to launch an attack on the "Golly" jam manufacturer whose shares were languishing at 97p.

The bid is three Avana shares for every four Robertson, valuing the whole group around £17¼m and putting a price of about 150p a share on Robertson.

Friday is the first closing date for the offer which is being vigorously opposed by the directors. They control less than 2 per cent of the equity but widely spread members of the Robertson family are thought to hold perhaps half the company, and the directors say they have already gained the backing of 29 per cent of the equity.

But the defence—expected to launch another document today—is short of ammunition. The records of the two companies are as different as chalk and cheese.

In 1972-73 Robertson made profits of £2m pre-tax. Since then it has once climbed as high as £2.73m but for the year ending this month it is forecasting just £2.4m, a fall of £150,000.

Yet Robertson has intangible "goodwill" locked up in its brands—"Golly" jams, "Golden Shred" and "Silver Shred" marmalade and "Viota" cake mixe—household names throughout the country.

Its overriding problem has been the steady erosion of the jam and marmalade market. UK production has collapsed from 250,000 tons annually to 150,000 tons over the last couple of decades with jam accounting for the bulk of the fall.

For Robertson—with 17 per cent of the jam market and 37 per cent of the marmalade market—the trend was alarming.

In response the company has drastically cut its manufacturing capacity. Three out of four factories have been closed, Catford in 1970, Paisley in 1974 and Bristol last year. Now there is just Manchester operating five production lines against a peak of nearly 20.

At the same time Robertson has been expanding in other directions. Viota moved into own-brand breakfast cereal for the likes of Sainsbury, Tesco and Asda. Other additions included processed friuts, canned vegetables and home brewing products.

A couple of the diversification moves have not worked out —last summer Quantock processing and the fruit juice operations were sold for a song—yet overall the track record in new areas is good.

In the year to March 1980 its other interests contributed 57 per cent of turnover and over four-fifths of trading profits. Preserves produced trading profits of just £851,000 from sales of £37m.

Avana in sharp contrast has been a highly successful company since 1974. In the six years to March 1980, profits jumped from £128,000 pre-tax to £4.15m and this year it has forecast a rise of a quarter to £5.15m after employee profit-sharing of £¾m. Trading margins over the same period have widened sharply.

There are three main operating divisions: bakery, meat pies and preserves, including the fast growing De l'Ora fruit juice range. Avana has concentrated at the top end of the market and has valuable links with Marks and Spencer which takes about a third of sales.

The fundamental difference between the two groups is that Robertson has sacrificed margins for market share while Avana will turn away orders rather than let its profit return slip.

The Robertson directors' defence rests on four main planks. One is that Avana's share price is "speculative" and as there is no cash alternative accepting shareholders could see an erosion of the true price they get for their Robertson shares.

Certainly Avana's shares have risen sharply in recent months and at 204p the fully taxed p/e is 20. Yet it is one of the few growth stocks in the sector and itself is subject to occasional bid speculation.

If the deal goes through another 8.7m Avana shares will be issued and it would be unrealistic to suppose that the price will not come under pressure. On a sixth month view the shares could well under perform.

The second line of defence is income. Shareholders who accept Avana paper will suffer an annualised income fall of 40 per cent based on the forecast dividends. But over the last five years Avana has stepped up its payout from 0.75p a share to 5p. Robertson has increased its dividend from 4.66p to 6.4p.

Robertson then argues that Avana is stepping in before shareholders can get a chance to reap the benefits of the reorganisation of the preserves division.

With the aid of Hill Samuel, Robertson has managed to take a very unexciting profit record and produce figures showing a compound growth rate of 20.7 per cent over the past five years.

This has been achieved by taking pre-interest profits (financing charges ate into two-fifths of 1979-80 trading profits) and excluding James Robertson, the foundation stone of the company. The point, the company says, is to show what Robertson could do now that its preserves division has been reorganised at a cost of £3m.

Yet Robertson has been closing factories for a decade and profits have hardly been revitalised as a result.

Finally Robertson disputes the commercial logic. This is hard for outside shareholders to assess, but City analysts seem to think the companies could dovetail fairly nicely.

On the face of it shareholders should accept Avana's bid. But are they getting as good a deal as they might?

Taking the combined group Robertson will be putting in 50 per cent of assets and third of profits, yet Robertson shareholders will only get 26 per cent of the enlarged equity.

However the bid does value each share at 150p—53p above the pre-bid price and 30p above asset value. A fully taxed exit p/e of 15 is a fair offer and so far nobody else has come on the scene with better terms.

Munton coming to the market

Munton Brothers, the Belfast shirtmakers for Marks and Spencer, is coming to the market by way of a placing of 1.7m shares, about 30 per cent of the equity, at 18p a share.

Munton, which was acquired by Mr. Michael Carlton's Taddale Investments in December, 1979, recently made a reverse takeover of a small, failing quoted company, Monument Securities, by way of an exchange of shares.

In addition to its mens' shirtmaking business, Munton acquired a small manufacturer for M & S of ladies' skirts and blouses last October and has taken on the towel importing and finishing business of Monument.

A pro-forma balance sheet shows the group's net tangible assets, including £18,866 of goodwill, amount to £770,002 or 13.8p a share, fully diluted. Borrowings on March 10 amounted to £42,223.

Munton's pre-tax profits grew from £63,000 in 1975 to £89,000 in 1977. In 1978, after it ceased to sell through its ultimate holding company, profits jumped to £226,000. In the 16 months to April 30, 1980, the surplus was £283,000 and in the first half of the current year, £115,000.

The directors are forecasting a profit of £203,000 in the year as a whole on turnover of £2.8m, but will not pay a dividend in respect of 1980-81. They undertake to pay a dividend of 60 per cent of distributable profits next year.

The group's policy is to expand its textile interests both by internal growth and by acquisition. The directors do not intend to diversify outside the textile industry.

The reverse takeover of Monument is being made by way of an offer for all the Monument capital on the basis of one Munton share for every 20 Monument shares tendered, or £66,808 at the placing price. As at March 10, 83 per cent of the Monument shares had been tendered. The offer closes on March 24 and Munton does not intend to call in the remainder if it receives more than 90 per cent.

Following the placing and assuming full acceptance by Monument shareholders of the Munton offer, Taddale will hold about 63 per cent of the Munton shares.

The placing is being made by T. C. Coombs and Co. A full Stock Exchange listing is to be granted on Wednesday and dealings will begin on March 23. Expenses in connection with the acquisition of Monument and the listing and placing of the shares of Munton are £110,000.

● comment

The textile sector is not the most likely source of new issues these days but Munton is in that special category of producers that supplies Marks and Spencer. It has been selling men's shirts to M & S for 40 years and the big multiple now takes all its clothing output. As recent results from Corah and Nottingham Manufacturing have shown, M & S suppliers are tending to fare better in the recession than other clothing makers. Munton is coming to the market on a fully taxed p/e of about 10 on the forecast profit and, if next year provides a little growth, a prospective yield of about 9 per cent. That should leave some room for the shares to move to a premium after their debut next week.

FT Share Information

The following securities have been added to the Share Information service:—

Conroy Petroleum and Natural Resources (Section: Oil and Gas). Jessel Trust

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interim:—Victor Products (Wallsend).

Finals:—W. Canning, James Fisher, Metalrax, Relyon P.B.W.S., Trade Indemnity, Waterford Glass, H. Woodward.

FUTURE DATES

Interims:—

Beckman (A.) .... Mar. 25
Trafford Park Estates .... Mar. 18

Finals:—

Cape Industries .... Mar. 31
Clifford's Dairies .... Mar. 25
Leyland Paint and Wallpaper ... Mar. 26
North British Canadian Invest. Apr. 3
Silkolene Lubricants .... Mar. 25
Sun Alliance and London Assur. Apr. 1
United Newspapers .... Mar. 24
Wilkes (J.) .... Mar. 23

London and Liverpool Trust acquisitions

London and Liverpool Trust, of which Mr. Ron Shuck is chairman, is proposing to acquire K. H. Vickers Copying Consultants, distributors of Mitsubishi electronic copying machines in Lancashire, and Alecto Optical Service, a Birmingham manufacturer of lenses and spectacles.

LLT is offering 290,000 of its shares plus £288,000 in unsecured loan notes for Vickers plus an additional consideration related to profits in 1981 and 1982. Vickers had profit of £128,000 on turnover of £1.4m last year.

The consideration for Alecto is 776,308 new shares of LLT plus additional shares related to profits in 1981 and 1982. Alecto is being sold to LLT by Chadwick Investments, in which Mr. Shuck has a controlling interest, and Mr. T. Homer. They bought it last month. Alecto had profit of [illegible] 000 in 1980 on turnover of £679,000.

An extraordinary general meeting will be held on March 30 to seek shareholder approval of these acquisitions.

Robson Rhodes, chartered accountants, said that in their opinion the Alecto purchase terms would not give rise to any profit to Chadwick. However, Mr. Shuck said he would not vote his shares at the EGM on the Alecto agreement.

Carrington Viyella payments

Carrington Viyella made £151,000 in compensation and ex-gratia payments to former directors last year, according to a note in the report and accounts.

Last September, Mr. Derrick Hornby resigned as chairman and chief executive only two months after taking over at the troubled textile group.

His departure coincided with other moves giving ICI, Carringtin's major shareholder with a 49 per cent stake, a representative on the board in an executive capacity for the first time.

Carrington has said that Mr. Hornby, formerly chairman of Spillers Food division, had a five-year contract and that the level of his contract was not different from that of the previous chairman who was paid £58,000 in 1979.

Two other directors, Mr. B. E. Lodder and Mr. J. Wilson also resigned from the Carrington board in 1979.

IN BRIEF

LANCASHIRE AND LONDON INVESTMENT TRUST—Results for 1980, reported February 13. Investments £1.75m (£6.16m) against mid market value £3.85m (£2.32m). Balance at bankers £288,407 (£304,322). Shareholders' funds £1.79m (£1.24m). Meeting, Winchester House, EC, March 31, 11.30 am.

£000's capitalisatn.	Company	Last price	Change on week	Gross Div (p)	Yield %	P/E
3,700	Airsprung	64	−1	6.7	10.5	5.8
1,250	Armitage and Rhodes	50	+3	1.4	2.8	20.6
11,487	Bardon Hill	188	−2	9.7	5.2	7.1
7,308	Deborah Services	95	+2	5.5	5.8	4.7
3,974	Frank Horsell	106	—	6.4	6.0	3.3
5,923	Frederick Parker	41	+1	1.7	4.1	17.8
1,576	George Blair	74	—	3.1	4.2	—
2,675	Jackson Group	107	—	6.9	6.4	4.1
16,148	James Burrough	117	−2	7.9	6.8	9.6
3,335	Robert Jenkins	327	−3	31.3	9.6	—
2,460	Scruttons "A"	51	−1	5.3	10.4	3.7
3,323	Torday	216	—	15.1	7.0	3.7
2,404	Twinlock Ord.	11¼	+¼	—	—	—
1,966	Twinlock 15% ULS	72	—	15.0	20.8	—
7,171	Unilock Holdings	47	+1	3.0	6.4	7.2
12,653	Walter Alexander	100	−2	5.7	5.7	5.5
6,138	W. S. Yeates	263	+3	12.1	4.6	4.3

Terms (years)	3	4	5	6	7	8	9	10
INTEREST %	13	13	13¼	13¼	13½	13½	13½	14

هكذا من الأصل

INTERNATIONAL BONDS

BY FRANCIS GHILES

A cautious turn of the tap

TWO fixed-interest dollar Eurobonds were launched last week, the first for nearly a month. But for new issue managers who were hoping for a large new issue window, the past few days proved disappointing.

Apart from the fact that the two issues amount to a modest $215m, their terms suggested that caution was the keynote and that no great flood of new paper was about to hit the market.

Such a judgment would not need to be revised even if the much rumoured $50m five-year bond with warrants for American Airlines, expected to carry a coupon of 15½ per cent, were to be launched early this week.

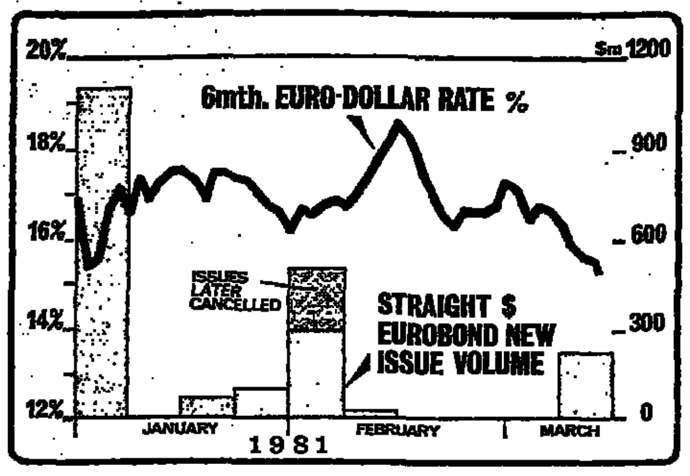
Bond prices advanced in all major sectors of the market, fuelled by lower interest rates and stable currency conditions, though fixed-interest dollar bonds moved forward more slowly than those denominated in continental European currencies.

Sterling-denominated bonds gained a little ground. One new issue was launched, yet much of the optimism expressed before the presentation of the UK budget, and the subsequent 2 per cent cut in the Minimum Lending Rate to 12 per cent, had evaporated by mid-week.

Four weeks is no longer a short time in the Eurobond markets. The revolt of the underwriters in February has left its mark— as, it would appear, have the losses suffered by houses which then offered new fixed interest dollar issues on terms so fine that few end investors came forward to buy the paper.

The hallmark of the two fixed interest dollar bonds launched last week is caution. The initial $25m tranche of the $60m tap issue arranged for Australian Resources Development Bank was increased to $30m on Thursday and the yield on which the paper is offered was lowered. But, overall, the amount remains small and the return for the investor very fair.

Although it was in effect a "bought deal," the $185m three-year issue for Canadian Imperial Bank of Commerce was also carefully priced with a very short life and high yield. It was well received by the market and marks CIBC's first venture into the dollar sector, after two Eurobond issues denominated in Canadian dollars.



Prices of seasoned issues moved up by one point over the week, with rises in the New York bond market giving the lead to the mood in Europe. Trading was more active than earlier in the month but still rather thin. No new floating rate note issues were announced, though Credit Commercial de France is expected to bring a $150m 10-year FRN for Pemex with a minimum coupon of 6 per cent and an interest rate set at ¼ per cent above the six month London interbank offered rate tomorrow.

The French franc sector continues to flourish, and the price of seasoned issues gained about one point on the week. The 14½ per cent bond to 1986 for Banque Francaise du Commerce Exterieure was increased by FFr 100m to FFr 500m, its most attractive feature being its five-year maturity which made it an attractive buy for central banks. A FFr 200m five-year issue carrying a coupon of 14¾ per cent will be launched today for Swedish Export Finance by Credit Commercial de France.

Greater stability has reurned to the Deutsche Mark sector, where yields on recently floated foreign bonds declined sharply over the week. The 10¼ per cent bond to 1991 for the European Investment Bank launched at par the week before last was trading at a yield of 10.05 per cent last Friday while bonds launched a little earlier for the European Coal and Steel Community and the Inter-American Development Bank show yield declines not far behind. Foreign interest in buying other seasoned foreign D-Mark paper, however, remains firmly concentrated at the shorter end of the maturity spectrum, that is up to three years.

Trading activity in Swiss franc foreign bonds remains thin, yet the steady flow of new issues is meeting with a good reception. A number of recently launched issues have advanced to a slight premium as soon as they have reached the secondary market.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡§Tokyu Land Corp	40	1996	15	7¾	100	Yamaichi Secs., Schroder Wagg	7.750
‡§Ito-Yokado Co.	25	1991	10	6⅞	100	KIC, Nomura (Europe)	6.993
†Nat. Bank of Canada	50	1988	7	5¼Φ	100	Chemical Bank	5.319Φ
‡Australian Res. Dev. Bk	30	1986	5	13	95½	SBC	14.245
††Kingdom of Denmark	100	1988		*	*	Lehman Bros., Kuhn Loeb	14¼-½
‡CIBC	185	1984	3	14½	100	Hambros	14.500
FRENCH FRANCS							
‡BFCE	500	1986	5	14½	100	Societe Generale, KICC	14.500
Swedish Ex. Cred. Cpn	200	1986	4	14¾	*	CCF	*
SWISS FRANCS							
‡IC Industries	75	1991	—	6¾	100	UBS	6.750
‡**§Kansai Paint	30	1986	—	5	100	Credit Suisse	5.000
Philip Morris Intl. Cap. NV	100	1993	—	6½	100	UBS	6.500
Oesterreichische Draukraftwerke	100	1991	—	6¾	100¼	Credit Suisse	6.680
Cofiroute (France)	50	1993	—	7½	100	Paribas (Suisse)	7.500
**Hilti	30	1986	—	6¾	*	Credit Suisse	*
STERLING							
‡Finnish Export Credit	15	1986	5	13¾	100	S.G. Warburg	13.750
GUILDERS							
CCCE	100	1996	10½	12	*	AmRo Bank	*
YEN							
Venezuela	20bn	1993	10.32	8.6	99.90	Daiwa Securities	8.799
NORWEGIAN KRONER							
Nordic Invest. Bank	100	1986	5	10½	*	Christiania Bank	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund.

Note: Yields are calculated on AIBD basis.

CREDITS

BY JOHN MAKINSON

Mixed success for Mexicans

BANKERS were shaking their heads on Friday at seemingly schizophrenic behaviour on the part of Mexican borrowers. While one public sector body was successfully concluding a $250m deal, and purring about its excellent relations with international banks, another was participating in what one banker called "a major confrontation which shocked and alarmed everyone present."

The successful borrower was Nacional Financiera. Chastened by last month's failure to obtain $300m on very fine spreads, Nafinsa has obtained a more modest $250m in a two-tranche club deal. The first tranche, for $100m, will be placed with 11 Japanese banks, while the second, for $150m, has been spread among Bank of America, Bank of Nova Scotia, Banque Europeenne de Credit, Chemical Bank, Orion Bank and Republic National Bank of New York.

Both tranches are for 10 years, with four years' grace, and carry a spread of ½ per cent over London interbank offered rate or ⅛ over U.S. prime. A clever aspect of the operation is that comparison with February's attempt to obtain four and six-year money is barely possible. The maturity is far longer and the Japanese involvement is quite new.

Banobras, meanwhile, was creating some confusion in New York. Representatives of 10 leading banks spent Thursday agreeing terms on a $1bn credit and were able to present the borrower with firm conditions, together with the roles of the management group. The offer was summarily rejected by Mr. Carlo Martines, the determined Banobras finance director, and the banks have returned to the drawing board.

Bankers say that there is little to separate the two sides on spreads or fees and that Banobras will in the end probably obtain most of what it is seeking on its own terms. They were surprised, however, at the borrower's apparent unwillingness to negotiate, given the Mexican public sector's enormous gross foreign borrowing requirement of $13bn this year.

Brazil, which has an even higher borrowing requirement, is making hay while the sun shines. It raised $2.81bn abroad in the first two months of this year and, helped by expectations in the banking community that the country will go to the International Monetary Fund for funds later this year, the $300m deal for Cia Vale do Rio Doce is meeting strong demand in syndication.

Hungary raised a few eyebrows early in the week with its decision to raise $400m only a fortnight after a group of Middle East banks arranged a $150m credit. The loan is for seven years, with four years' grace, and carries a spread of ⅝ over Libor or ½ over U.S. or Canadian prime.

The credit caused some surprise, since Hungary has no pressing need for funds to meet this year's borrowing requirement of about $550m. This target has now been met. The deal is based on the same spread as the recent $150m but lead manager Citicorp has clipped a year off the final maturity.

Aerolineas Argentina has obtained a $107.1m credit on terms which are in line with those offered recently to other Argentinian borrowers. The airline, which is using the proceeds to buy a Boeing 747, will pay ⅝ over Libor for the first three years and ¾ for the remaining seven years, with five years' grace.

Banks have yet to form a steering committee for the rescheduling of Poland's debt and some bankers believe that the 14-man group, comprising two representatives from each of the participating countries, may not be assembled for some weeks. Poland is understandbaly impatient with the slow progress, but the banks are by no means falling over themselves to join the committee.

U.S. BONDS

BY IAN HARGREAVES

Money growth darkens the mood

A FAIRLY good week in the U.S. bond market ended badly, with the publication of sharply higher money supply figures. Although the $3.2bn rise in M1-B does not drive that measure outside the Federal Reserve's long-term growth targets, is came as a surprise.

At the very least the increase, reported on Friday, has darkened the tone of the market as it prepares to receive some time this week th $600m issue of 10-year notes from American Telephone and Telegraph, the first issue this year from the corporate bond market's best customer. It will also be a week full of economic news, with industrial production, personal income and housing start figures all due on Tuesday and durable goods orders data on Friday.

Mr. Philip Braverman, money market economist at Chase Manhattan, expects flat industrial production and a sharp drop in housing starts, but says that other more buoyant indicators in orders and unemployment will balance these to maintain the sense of confusion currently prevalent about the state of the U.S. economy.

The Fed, for its part, last wee ktolerated another drop in the Federal funds rate, suggesting a lower limit now of 14 per cent, a strategy justified by weak loan demand, below target money supply and possibly by fears abou? the damage being done to U.S. savings and loan associations by high interest rates. The S and Ls (the equivalent of British building societies) have been squeezed so badly by the low return on the funds they have lent at fixed rates and the high rates they are paying for new money that several are said to be on the brink of a liquidity crisis.

The prime also came down sharply last week, from 18½ per cent to 18 per cent at most banks but to 17½ per cent at Chemical Bank. Mr. John McGillicuddy, chairman of Manufacturers Hanover Trust, predicted on Friday that the prime would hit 15 per cent by the summer, before rising again in response to a growing economy.

Certainly short-term rates in the credit markets, which fell by a percentage point last week, justify a prime well below 17½ per cent, although there is always the chance that a sequence of high money supply figures will turn this trend around.

This downtrend in short rates, however, was not matched last week at the long end, where there was little net change in prices by the time the market had moved lower late on Friday in response to the money supply data. But it was, at least, a calm market, and one well able to digest the two major corporate offerings of the week, $175m of A-rated Martin Marietta 30-year debentures and $250m of AAA-rated Atlantic Richfield debentures, also due in 2011.

The Martin Marietta issue was something of a rarity, in that it carried a coupon of only 7 per cent. This unattractive rate is compensated for by discounting the bond price to 53.835, producing a yield to maturity of 13.25 per cent.

The offering, managed by Goldman Sachs, is attractive to institutions able to take advantage of the tax potential of capital gains rather than a high coupon. Also, because the company is unlikely to retire such a deeply discounted issue before maturity, it allows the buyers to lock into the high yield more securely.

The Arco issue was priced to yield 13.73 per cent and sold out quickly.

U.S. INTEREST RATES

	Week to March 13	Week to March 6
Fed funds wkly. avge	14.73	16.08
1-month Treas. bill	13.65	13.90
3-month CD	14.75	15.55
Treas. 30-year bond	12.52	12.94
AAA Utility long ...	14.63	14.88
AA Industrial long...	13.88	14.00

Source: Salomon Bros. (does not include late changes Friday).

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¼ 88	75	96⅛	96⅝	+0⅛	+1⅛	14.08
CECA 11½ 88	100	88⅜	89⅛	+0⅛	+1	14.03
CNE 12⅞ 91	100	92⅝	92⅞	+0⅜	+1⅛	14.19
Citicorp O/S Fin. 10 86	300	86⅛	86⅝	+0⅛	+1⅛	13.71
Citicorp O/S Fin. 12 87	200	91⅝	92⅛	+0⅜	+1	13.82
Con. Illinois O/S 9⅝ 86	150	84⅛	84⅝	+0⅛	+0⅞	14.05
Denmark 11⅞ 90	100	85⅞	86⅜	+0⅛	+1	14.55
Dupont Canada 13½ 91	85	96⅛	96⅝	+0⅛	+0⅞	14.19
EEC 11 95 (May)	75	80⅜	81⅛	+0⅛	+1⅛	14.78
EEC 11 95 (August)	70	79⅝	79⅞	+0⅜	+1⅛	14.42
EIB 13⅞ 90	100	96⅝	97⅛	+0⅜	+0⅛	14.33
Eksportfinans 9½ 87	75	82⅝	83⅛	+0⅛	+0⅞	13.88
Eldorado 13⅞ 86	50	96⅛	96⅞	+0⅛	0	14.27
Elec. de France 10 88	125	82⅜	83	+0⅜	+0⅞	13.88
Elec. de France 13 88	125	95⅝	96⅛	+0⅛	+1⅛	13.85
Export Dv. Cpn. 12⅜ 87	100	94⅝	95⅛	+0⅛	+1	13.98
Export Dv. Cpn. 9½ 86	150	84⅛	84⅝	+0⅛	+0⅛	14.15
Fin. Exp. Credit 10⅛ 85	50	87	87½	+0⅛	−0⅛	14.65
Finland, Rep. of 9½ 86	100	82⅜	82⅞	+0⅛	+0⅛	14.63
Ford Credit O/S 14⅞ 83	150	98⅝	99⅛	+0⅛	+1⅛	15.06
Ford Cr. O/S Fin. 16 84	150	103⅛	103⅝	+0⅞	+1	14.42
Gaz de France 13½ 86	80	98⅜	99⅛	+0⅛	+1⅛	13.80
GMAC O/S Fin. 12 87	100	89⅝	90⅛	+0⅛	+1⅛	14.41
GMAC O/S Fin. 12⅞ 88	100	92⅝	93⅛	+0⅛	+1⅛	14.56
Gen. Mtrs. O/S 11⅛ 87	100	89⅜	89⅞	+0⅛	+0½	14.30
GTE Fin. 13⅞ 86 (WW)	50	98⅞	99⅛	+0⅛	+0⅞	14.13
Hudson's Bay 11½ 90	75	85⅝	86⅛	+0⅛	+0⅞	14.32
IBM Canada 10⅛ 85	50	95⅞	96⅜	+0⅛	+0⅛	11.66
IBM Wld. Trade 12½ 88	200	95⅞	96⅜	+0⅛	+1⅛	13.38
Newfoundland 13½ 90	60	94⅝	95⅛	+0⅛	+1	14.52
Nova Scotia 10⅝ 90	50	82⅝	83⅛	+0⅞	+1⅛	14.70
OKB 10 85	50	87⅝	88	+0⅛	+0⅛	13.90
Ontario Hydro 13½ 91	100	96⅞	96⅞	+0⅛	+0⅛	14.24
Quebec Hydro 11½ 92	100	83⅜	83⅞	+0⅛	+0⅛	14.51
Queb. Hy. 13 91 (WW)	100	92⅜	92⅞	+0⅛	+0⅞	14.43
Rovlease 11⅛ 85	50	91⅛	91⅝	+0⅛	+0⅛	13.99
SNCF 12⅜ 85	50	95⅛	96	+0⅛	+1⅛	13.74
SNCF 13 91	75	94⅞	95	+0½	+1⅛	14.00
Sven Handelsbk 13⅜ 88	45	95⅜	96⅛	+0⅛	+0⅛	14.68
Sweden 12½ 83	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Credit 12 88	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Credit 13 86	75	95	95½	+0⅛	+0⅛	14.39
Tribune O/S Fin. 14 86	50	98⅛	98⅝	+0½	+0⅛	14.47
World Bank 9¾ 85	200	88⅛	88⅝	+0½	+1	13.43
World Bank 10⅝ 87	300	85⅜	85⅞	+0⅛	+1½	13.80

Average price changes... On day +0½ on week +1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅝ 90	100	88⅞	89¼	+0½	+1⅛	10.25
Australia 8⅛ 90	250	93⅛	93⅞	+0½	+2¼	9.20
Austria, Rep. of 8⅝ 92	150	88⅞	88⅞	−0⅛	+1	9.95
BFCE 8⅛ 95	100	86⅞	87⅛	+0½	+0⅞	9.92
CECA 7⅞ 92	150	86⅞	87⅜	+0½	+1½	9.76
CII-Honeywell 8⅝ 90	125	90⅛	91⅛	+0⅞	+2⅛	9.92
Denmark 8¼ 92	100	89½	90⅛	+0⅛	+0⅞	9.90
EIB 8½ 90	200	91⅝	92⅛	−0⅛	+1⅛	9.81
ESCOM 9⅞ 87	100	91⅝	92⅛	−0⅛	0	10.99
Iberduero SA 9 90	100	91⅝	92⅜	+0⅛	+1⅛	10.26
Ind. Bk. Finland 8½ 90	50	88⅛	88⅞	+0⅛	+2⅞	10.43
Japan Air Lines 8⅛ 87	100	92¾	93½	+0⅛	+2⅛	9.55
Japan Dev. Bank 7⅞ 87	100	89⅜	90½	+0⅛	+2⅛	9.73
Kobe, City of 8 90	100	88⅝	89⅜	0	+0⅞	9.85
Midland Int. Fin. 8½ 90	180	91⅞	92⅝	+0½	+1⅞	9.77
Norway 7½ 85	250	93⅛	94⅛	+0⅛	+1⅛	9.46
Nuclebras 9⅝ 88	100	85¼	86	+0⅛	+1⅛	12.81
OKB 8¾ 92	150	87½	88¼	+0⅛	+1⅞	10.08
Oslo, City of 8⅜ 90	80	93⅛	93⅞	+0⅞	+1½	9.87
Venezuela, R. of 9⅛ 90	150	92⅞	93⅛	−0⅛	+0⅛	10.90
World Bank 8 90	700	88⅛	88⅞	+0⅛	+1⅞	9.92
World Bank 10 86	150	101⅞	102⅝	−0⅛	+1⅛	9.41
World Bank 10 90	200	101⅞	102⅝	−0½	+2	9.61

Average price changes... On day +0⅛ on week +1⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria, Rep. of 5⅛ 90	100	92⅛	93	+1⅛	+3½	6.40
BFCE 6½ 91	100	101⅞	102⅛	−0¼	+0⅞	6.22
Bayer Int. Fin. 5¾ 92	100	92	92¼	−0⅛	+1⅛	6.22
Bergen, City of 6 90	50	96⅛	96⅝	0	+2⅛	6.55
Buhrm'n-Tetterode 7 90	40	101⅜	102	+0⅛	+1½	6.71
Copenhagen Tele 5⅝ 90	60	91⅞	91⅞	+0⅛	+0⅛	7.02
Denmark 5⅝ 90	80	91⅛	91⅛	+0⅛	+2⅞	7.02
Dome Petroleum 5⅝ 91	100	93⅛	93⅞	0	+0½	6.63
Elet. de France 5¾ 90	100	91⅛	91⅞	−0⅛	+0⅞	6.47
Eurofima 5⅞ 92	80	†99	99¼	−0⅛	0	5.84
F. G. H. Hypo. Bk. 6 90	50	†96	97	+1	+1	6.51
Finland, Rep. of 6⅛ 90	80	91⅛	92⅛	+1½	+2⅛	6.79
Int.-Amer. Dev. 7 90	80	101⅝	101⅞	+0⅛	+1⅛	6.73
Japan Dev. Bank 5⅞ 90	100	93⅞	94⅛	+0⅛	+0⅞	6.61
Jutland Tele. 5½ 90	50	89	89¼	+0⅞	−1⅛	7.19
Mt. Blanc Tunnel 5½ 90	60	92⅛	92⅛	+0⅛	+0⅞	6.62
Newag 5⅝ 90	30	93½	94	0	+0½	6.67
Norges Komm. 4⅞ 91	100	84	84½	+0⅛	+1⅛	6.49
OKB 6 90	100	95⅝	96	+0⅛	+0⅛	6.82
Oslo, City of 4⅞ 91	100	81	81⅛	−0½	−0⅛	6.94
Oslo, City of 5⅞ 90	80	94½	94¾	−0⅛	+0½	6.64
Philips Lamps 5⅝ 92	100	89¼	90	+0½	+1⅛	6.53
Sekisui Pre. Hms. 6 90	80	95⅞	95¼	+0⅛	+1⅛	6.68
Trade Dev. Fin. 6⅛ 90	50	94⅞	95⅛	+0⅛	+1¼	6.85
Voest-Alpine 5⅞ 90	80	93	93¼	+0⅛	+2½	6.74
World Bank 6 91	100	94⅛	94⅝	+0⅛	−0⅛	6.74

Average price changes... On day +0⅛ on week +1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	92⅞	93⅛	0	+0⅛	8.76
Australia 8½ 88	20	86½	87½	−0⅛	−0⅛	9.05
EIB 7⅛ 89	12	92⅞	93⅛	0	+0⅛	8.90
Finland 5.6 83	10	91⅛	92⅛	0	+0⅛	9.16
Finland 8.8 88	10	87⅛	88⅛	0	+0⅛	9.25
Finland, Rep. of 8⅛ 87	15	96⅛	97⅛	0	−0⅛	9.04

Average price changes... On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10⅛ 86 C$	60	91⅛	91⅞	0	+0⅛	12.95
CIBC 13½ 85 C$	60	97⅜	98½	0	+0½	14.08
CIBC 11½ 85 C$	60	†91⅛	92½	0	+0⅛	13.89
Federal Dev. 11½ 90 C$	80	†85	86	0	−0½	14.38
Fst. Can. Inv. 10 84 C$	50	†88⅛	89⅛	0	+0⅛	14.59
R. Bk. Canada 10 86 C$	40	91	92	0	−0⅛	12.29
Tordom Cpn. 13½ 85 C$	30	†97⅛	98⅛	0	+0⅛	14.08
M. Bk. Dnmk. 9 91 EUA	25	88⅛	91	0	+0⅛	10.63
SOFTE 8⅛ 89 EUA	40	85½	86⅛	0	−0⅛	10.92
U. Bk. Nrwy. 9½ 90 EUA	18	97	98⅛	0	0	9.91
Algemene Bk. 10⅛ 86 Fl	60	95⅛	96⅛	+0⅛	+0⅛	11.34
Bk. Mees & H. 10 85 Fl	75	97½	98	+0⅛	+0⅛	10.63
Heineken NV 10 87 Fl	100	96	96½	+0⅛	+1⅛	10.82
Nat. Nedrlndn. 10 88 Fl	80	94⅛	94⅞	−0⅛	+1⅛	11.15
Ned. Midd. Bk. 10 85 Fl	75	98½	99	+0⅛	+0⅛	10.33
Pierson 10⅛ 86 Fl	50	97⅞	98⅛	−0⅛	+0⅛	10.76
Aero Paris 13⅛ 87 FFr	150	94⅛	95⅛	+0⅛	+1⅛	14.34
Charb'nages 13⅞ 85 FFr	400	98⅛	99⅛	+0½	+0⅛	14.24
CECA 14⅛ 86 FFr	150	99	100	+0⅛	+1⅛	14.38
EIB 14⅛ 88 FFr	300	98⅛	99½	+0⅛	+0⅞	14.33
Finland 11 84 FFr	80	90⅞	91⅞	+0⅛	+1⅛	14.26
Gaz de France 11 84 FFr	150	91½	92⅛	+0⅛	+0⅛	14.04
La Redoute 14⅛ 85 FFr	125	96⅝	96⅞	+0⅛	+1⅛	15.53
OKB 14 86 FFr	400	98½	99⅛	+0⅛	+1	14.28
Utd. Mex. Sts. 14 85 FFr	150	96⅞	97⅛	+0⅛	+0⅛	14.91
Acona 14 85 £	20	95½	96½	−0⅛	+0⅞	15.19
Beneficial 14⅛ 90 £	20	93⅞	94⅛	+0⅛	+0⅛	15.39
BNP 13½ 91 £	15	96⅛	97	0	+0⅛	14.13
CECA 13⅛ 88 £	20	96½	97⅛	+0⅛	+0⅛	14.15
Citicorp O/S 13½ 90 £	50	96⅛	97⅛	+0⅛	+1	14.15
Fin. for Ind. 14½ 88 £	20	99⅛	100⅛	−0⅛	+0⅛	14.49
Fin. for Ind. 13⅞ 87 £	20	97⅞	98⅛	0	+0⅛	14.15
Gen. Elec. Co. 12½ 89 £	50	84⅞	95⅛	−0⅛	+1⅛	13.51
Peugeot SA 14 90 £	23	94⅛	95⅛	−0⅛	+0⅞	15.03
Rothschild 14⅛ 90 £	12	97⅛	98½	0	−0⅛	14.58
Royal Trustco 14 86 £	12	99½	100⅛	0	+0⅞	14.03
Swed. Ex. Cr. 15⅛ 86 £	20	102⅞	103⅛	0	+0⅛	14.72
Banobras 8⅛ 90 KD	7	†89½	90	0	0	10.01
CCCE 8⅛ 91 KD	10	†82½	83	0	0	11.06
Sonatrach 8¾ 90 KD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo 8¾ 87 LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.04
Euratom 9⅝ 88 LuxFr	500	89	90	+0⅛	+0⅛	12.06
Eurofima 10½ 87 LuxFr	500	94⅛	95⅛	−0⅛	−0⅛	11.56
EIB 9⅝ 88 LuxFr	600	90⅛	91½	+0⅛	−0⅛	11.80
Volvo 9¼ 87 LuxFr	500	87⅞	88⅝	+0⅛	−0⅛	12.44

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	99⅛	99⅞	2/7	16⅛	16.69
Bank of Montreal 5¼ 90	0¼	99⅞	100⅛	18/6	19½	19.48
Bank of Tokyo 5⅛ 89	‡0⅛	98⅞	99¼	25/4	19.31	19.51
BBL Int. 5 88	0⅛	99⅝	99⅞	20/5	16½	16.56
Bergen Bk. A/S 6 89	‡0⅛	†98½	99	29/5	17⅛	17.34
BNP 5½ 88	‡0⅛	99⅝	100⅛	29/4	18.69	18.69
CNT 5⅛ 86	§0½	99⅛	99⅞	16/4	13⅛	13.30
Christiania Bk. 5½ 91	‡0⅛	98	98½	5/5	17⅞	18.07
Citicorp O/S F. 84	‡0	99⅛	99⅝	31/3	16.81	16.92
C. Itoh 5⅛ 87	0⅛	99⅝	100⅛	18/3	12⅞	12.89
Co-operative Bk. 6 86	0⅛	97⅝	98⅛	15/5	15½	16.58
Den Norske Credit 6 90	‡0⅛	98⅝	99⅛	5/5	17⅝	17.95
Genfinance 5¼ 87	0⅛	99⅛	99⅝	30/4	15⅛	15.22
Giro und Bank 5⅛ 91	‡0⅛	98⅛	98⅞	23/3	20½	20.79
GZB 5½ 89	‡0⅛	99½	100	1/5	17⅞	17.92
Ind. Bank Japan 5⅛ 87	0⅛	98⅞	99⅛	16/4	13.31	13.43
Ind. Bank Japan 5⅛ 88	0⅛	98⅝	99⅛	9/4	13⅛	13.27
Lloyds Eurofin 8 90 £	0⅛	97	97½	3/7	14½	14.91
Lloyds Eurofin 5⅛ 92	0⅛	98⅞	99⅛	4/6	17⅛	17.40
LTCB Japan 5⅛ 86	0⅛	100½	101	13/6	20.19	20.04
Man. Hanov. O/S 5⅛ 94	‡0⅛	98⅝	99⅛	30/5	17	17.19
Midland Intl. Fin. 5 89	0⅛	100⅛	100⅝	30/6	19.56	19.49
Midland Intl. Fin. 5⅛ 92	0⅛	98¾	99⅛	5/6	17.19	17.36
Nacional Fin. 6⅛ 86	0⅛	99⅛	99⅝	25/7	17⅛	17.84
Nat. West. 5⅛ 84	§0⅛	97⅝	98⅛	14/4	13⅛	13.52
Nat. West. 5¼ 82	§0⅛	98	98½	23/4	13.89	13.93
Nippon Credit 5⅛ 87	‡0⅛	99½	100	6/5	17.44	17.48
Sparebanken 6 87	0⅛	99⅛	99⅝	19/6	19⅞	20.00
Standard Chart. 5¼ 90	0⅛	98⅛	98⅝	3/9	17.06	17.15
Svenska Hndlsbk. 6 87	0⅛	99⅝	100⅛	15/7	17.81	17.83
Bq. Ex. d'Alg. 4⅞ 89 SF	0⅛	†90½	91	18/6	7½	8.26

Average price changes... On day +0⅛ on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98½	99⅛	+0⅛	30.31
Canon 6⅛ 95	1/81	829	108⅛	109⅛	−0⅛	5.64
Credit Suisse 4⅞ 93	10/79	1278	96½	98	+0⅛	−5.20
Digicon Fin. 8½ 95	10/81	29.5	99⅛	101	+1⅛	12.11
Ensearch Fin. 9½ 94	7/80	30.25	†159	160	+1	−1.01
Hanson O/S Fin. 9½ 95	1/81	1.92	106	107⅛	+0⅛	−2.83
Ina Overseas 8⅛ 2000	4/81	42	100⅛	102⅛	+1⅛	4.92
Inchcape Ltd. 8 95	2/81	4.55	92½	94	0	2.60
Jaccs 7⅛ 95	11/80	585	128⅛	130	−1	−0.91
Marion Int. Fin. 9 95	12/80	23.25	88⅛	90	+2⅛	62.98
Matsushita El. 7⅛ 95	11/80	590	100⅞	101⅛	−0⅛	4.25
MEPC 8¼ 96	2/81	2.47	†95	96½	−0⅞	11.73
Niigata Eng. 7½ 96	1/81	327	97⅝	98⅛	−1⅛	−0.12
Nissho-Iwai Co. 8 96	10/80	398	90⅛	91⅛	−0⅛	−3.69
Ricoh 6⅛ 95	8/80	604	110⅞	111⅛	+0½	−0.03
Sumitomo M. Ind. 7 95	2/81	181	108½	109½	−0⅛	3.66
Swiss Bk. Cpn. 6⅛ 90	9/80	200	84⅛	85⅛	+0½	15.67
Taylor Woodrow 8⅛ 90	1/81	4.84	94⅞	96⅛	+0⅛	3.22
Transco Int. 8¼ 95	2/81	68	86⅛	87⅛	+1⅛	28.61
Tricorp 8⅛ 95	12/80	31.25	90⅛	91⅛	+1⅛	11.52
Union Bk. Switz. 5 89	2/80	121.4	82½	84½	+0½	−14.77
Fujitsu 5 94 DM	7/79	431.5	122⅛	123⅛	+0⅛	−3.30
Sharp Cpn. 6½ 88 DM	9/80	585	139⅞	140⅞	−0½	−2.40
Uny Co. 6½ 85 DM	11/79	967.3	104⅛	105⅛	+0⅛	12.65

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	1,023.3	2,645.0
Previous week	1,722.8	3,486.8
Other bonds		
Last week	623.3	409.6
Previous week	604.5	502.3

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week= Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day= Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on March 13

A copy of this Prospectus having attached thereto copies of the documents referred to below has been delivered to the Registrar of Companies for registration.

This Prospectus, which includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Munton Brothers PLC ("Munton") and its subsidiaries, is not an invitation to any person to subscribe for or purchase any shares or loan capital. Munton together with its subsidiaries is hereinafter referred to as "the Group". The Directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein, whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the Ordinary Shares of 10p each of Munton now in issue and to be issued to accepting shareholders of Monument Securities Limited pursuant to the Offer referred to below and the proposed placing referred to below to be admitted to the Official List.

MUNTON BROTHERS P.L.C.

(Incorporated in England under the Companies Acts 1929 to 1980, No. 260293)

DIRECTORS

ALFRED ISAAC LITTMAN *(Chairman)*,
The Byre House, Northiam, near Rye, Sussex TN13 6NB.

THOMPSON GALLAGHER *(Managing Director)*,
1 Wilshere Drive, Belmont, Belfast BT4 1GP.

MICHAEL RICHARD CARLTON,
47 Melbury Road, London W14 8AD.

ANTHONY ROBERT JOHN CARTWRIGHT, F.C.A.
The Willows, Westcott Street, Westcott, Surrey RH4 3NY.

JOSEPH MORRISON, F.C.C.A.
5 Jellicoe Gardens, Stanmore, Middlesex.

STOCKBROKERS

T. C. COOMBS & CO.,
22 Finsbury Square, London EC2A 1DS.

SHARE CAPITAL

Authorised £		*Issued and to be issued fully paid* No.	£
1,000,000	Ordinary Shares of 10p each	5,507,650	550,765

Further Ordinary Shares of 10p each of Munton will fall to be issued in respect of acceptances received from Shareholders of Monument Securities Limited after 10th March, 1981.

INDEBTEDNESS

As at 10th March, 1981, the Group had an outstanding secured bank guarantee in respect of bank borrowings of Saraset Limited (referred to below). As at 10th March, 1981, Saraset Limited had outstanding bank borrowings of £42,223.

Save as disclosed in this Prospectus neither Munton nor any of its subsidiaries had outstanding as at 10th March, 1981 any loan capital or loan capital created but unissued and no outstanding mortgages, charges, borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities (excluding intra-group cross-guarantees).

SOLICITORS
STALLARD & CO., Leith House, 47-57 Gresham Street, London EC2V 7EJ.

AUDITORS
CREASEY SON & WICKENDEN, *(Chartered Accountants)*,
1 East Street, Tonbridge, Kent TN9 1HP.

REPORTING ACCOUNTANTS
GRIFFIN AND PARTNERS, *(Chartered Accountants)*, 22/24 Buckingham Palace Road, London SW1W 0QP.

BANKERS
BARCLAYS BANK LIMITED, 127/129 Edgware Road, London W2 2HT.

SECRETARY AND REGISTERED OFFICE
ANTHONY ROBERT JOHN CARTWRIGHT, F.C.A.
25 Gilbert Street, London W1Y 1RJ.

REGISTRARS AND TRANSFER OFFICE
RAVENSBOURNE REGISTRATION SERVICES LIMITED,
Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

A PLACING BY
T. C. COOMBS & CO.
OF 1,700,000 ORDINARY SHARES OF 10p EACH OF MUNTON AT 18p PER SHARE.

HISTORY AND BUSINESS

Munton

Munton was incorporated as a private company in 1931, by Charles and Cecil Munton to acquire and carry on their business of men's shirt manufacturers. In 1934, the Littman family purchased the entire share capital of Munton which remained in their control until December, 1979, when Munton became a subsidiary of Taddale Investments Limited ("TIL") a private industrial holding company.

TIL was incorporated on 21st December, 1973 as an investment holding company. The principal activities of TIL's subsidiaries comprise the manufacture and servicing of refrigeration equipment, roof and ceiling contracting, joinery manufacturing and shopfitting, road haulage and warehousing, property development and investment, the provision of management services and the manufacture through the Munton Group of men's shirts and ladies' skirts and blouses. The Directors of TIL are Mr. D. Walsh, Mr. J. B. Leworthy, Mr. M. R. Carlton, Mr. A. R. J. Cartwright and Miss G. Wooldridge.

Munton has, since February 1972, operated from factory premises comprising approximately 4,100 sq. m. on the Castlereagh Industrial Estate at Marshalls Road, East Belfast, at a current annual rental of £18,000. On 9th February, 1981, Munton agreed to surrender its existing lease and to take a new lease for a term of 999 years commencing on 31st October, 1980, of its existing factory together with additional adjacent factory premises comprising approximately 9,484 square metres in aggregate, at a rent of £1 per annum, in consideration of a premium of £350,000. Healey & Baker, Surveyors, have valued the proposed new long lease as at 31st October, 1980 at £575,000. The additional space which will be available to Munton under this new lease will enable Munton to increase its production.

Munton sells its entire output to Marks & Spencer Limited and has been a supplier of shirts to Marks & Spencer Limited for nearly forty years.

As can be seen from the Report of Creasey Son & Wickenden set out below the turnover and profits of Munton increased substantially in 1977. This was primarily due to the fact that prior to 1977 Munton had been manufacturing as subcontractor to its former holding company (which in turn supplied Marks & Spencer Limited). In 1977 Munton commenced supplying direct to Marks & Spencer Limited and took over production which had previously been carried out by its former holding company. By the end of 1977 Munton had ceased to supply its former holding company and supplied its entire output to Marks & Spencer Limited.

On 19th October, 1980, Munton acquired the whole of the issued share capital of Munton Textiles Limited ("MTL") for £25,000. MTL, formed in October, 1979 as a subsidiary of TIL, has since April, 1980 carried on the business of the manufacture of ladies' skirts and blouses for the UK and German markets.

The combined trading profits before taxation of Munton and MTL for the six months ended 31st October, 1980 amounted to £115,176 and net assets at that date amounted to £631,475.

On 16th February, 1981, T.C. Coombs & Co. ("Coombs") on behalf of Munton made an offer ("the Offer") for the whole of the issued share capital of Monument Securities Limited ("Monument"), a listed investment holding Company, on the basis of one Ordinary Share of 10p in Munton for every 20 Ordinary Shares of 10p in Monument. The Offer is conditional upon the admission to the Official List of The Stock Exchange on or before 24th March, 1981 of both the existing Ordinary Shares of 10p each in Munton and the new Ordinary Shares in Munton to be issued to accepting shareholders of Monument.

On 5th March, 1981 Munton became a public limited company under the name of Munton Brothers P.L.C. and by 10th March, 1981, pursuant to the Offer, Munton had received acceptances in respect of 82.9 per cent. of the issued share capital of Monument. On 10th March, 1981, the Offer was declared unconditional as to acceptances. In accordance with the City Code on Take-Overs and Mergers the Offer remains open for acceptance until 24th March, 1981. Application will be made for admission to the Official List of any further Ordinary shares allotted by Munton in respect of additional acceptances received from shareholders in Monument.

Monument

Monument was incorporated in March, 1962 and has since March, 1971, when its shares were reintroduced on The Stock Exchange, acquired a number of companies in or associated with the textile industry. Monument incurred a loss of £266,057 in respect of the year ended 31st March, 1980. On 13th November, 1980, a Receiver and Manager was appointed to Universal Towel Company Limited (now in receivership and liquidation) ("UTC") its only remaining trading subsidiary, by its bankers to whom it owed the sum of £249,865 plus accrued interest. A formal claim has been made on Monument under guarantees given by it in respect of Monument Group borrowings. Monument is unable to satisfy this claim. In addition, Monument is indebted to other unsecured creditors to the extent of approximately £49,000 in aggregate of which £15,140 is owed to H.M. Customs and Excise in respect of which a formal notice requiring repayment has been received. Monument is also unable to discharge these liabilities. On 8th December, 1980 an order was made for the compulsory winding up of UTC.

Munton reached agreement with the bankers to Monument that, subject to the Offer becoming unconditional and on payment by Munton of £40,000 to The Royal Bank of Scotland Limited Monument would be released from all existing bank indebtedness. Munton has also conditionally agreed to make payments to certain unsecured creditors of Monument, which those creditors have agreed to accept in full settlement of their claims.

On 27th October, 1980 the listing of Monument's Ordinary Shares on The Stock Exchange was temporarily suspended at the request of its Directors in the light of the negotiations with Munton which preceded the Offer. The listing of Monument's Ordinary Shares has now been cancelled.

Saraset

On 2nd December, 1980 Munton agreed to acquire the whole of the issued share capital of Saraset for £2. It is anticipated that completion of this acquisition will take place on or about 18th March, 1981. Saraset, a newly-formed subsidiary of UTC, was incorporated on 5th November, 1980. On 3rd December, 1980, Saraset agreed to acquire the business and assets of UTC, and has since that date carried on part of the former business of UTC, being the importing, finishing and sale of towels. Munton proposes to develop the business of Saraset and believes that it will be able to increase the turnover and profits of Saraset.

DIRECTORS, MANAGEMENT AND STAFF

Mr. A. I. Littman, aged 62, is Executive Chairman of Munton. He has been a Director of Munton since 1940 and Chairman since 1960.

Mr. T. Gallagher, aged 41, has been Managing Director of Munton since 1970 having joined Munton in 1958. Mr. Gallagher has entered into a full-time service agreement with Munton for a term of five years from 12th February, 1981 at an annual salary of £14,000, subject to annual review. He is also entitled to a commission at the rate of one-and-a-half per cent. per annum of the pre-tax trading profits of the Munton Group. Mr. Gallagher is also Managing Director of MTL.

Mr. M. R. Carlton, aged 37, has been employed by TIL, the ultimate holding company of Munton since January 1975 and became Managing Director of TIL in April 1980. Mr. Carlton became Executive Director of Munton in October 1980.

Mr. A. R. J. Cartwright, F.C.A., aged 41, is a Chartered Accountant and a Director and Secretary of TIL. In December 1979, when Munton became a subsidiary of TIL, Mr. Cartwright joined the Board of Munton as Finance Director and was appointed Secretary of Munton.

Mr. J. Morrison, F.C.C.A., aged 62 is Chairman of Monument and joined the Board of Munton on 12th March, 1981.

Mr. C. Pugh, aged 40, former Director and General Manager of UTC, has agreed to become a Director of Saraset following the acquisition by Munton of Saraset.

The Group currently has approximately 300 employees in Northern Ireland and it is anticipated that Saraset will have approximately 8 employees.

INCOME AND DIVIDENDS

The net tangible assets of Munton at 31st October, 1980 amounted to £631,475 as shown in the Report of Creasey Son & Wickenden set out below.

On the basis that the Offer is accepted in full, and taking into account the conditional agreements entered into between Munton and Monument's bankers, the net tangible assets attributable to the shareholders in Munton will be 12.75p per share prior to the placing proposed to be made and it is estimated that they will amount to approximately 14p per share immediately thereafter.

On the basis of the results of Munton for the six months ended 31st October, 1980 and the profit estimate of Munton (incorporating Saraset) for the six months ending 30th April, 1981, the net profits before tax attributable to the shareholders of Munton on the basis of full acceptance of the Offer and following the proposed placing will be approximately 3.8p per share.

The Directors of Munton do not propose to declare any dividend on Munton's Ordinary Shares in respect of the year ending 30th April, 1981.

Subject to the completion of the proposed placing the Directors of Munton anticipate that, in the absence of unforeseen circumstances, a sum approximately equal to 60 per cent. of the profits available for distribution will be paid by way of dividend on the Ordinary Shares of Munton in respect of the year ending 30th April, 1982.

PROFIT ESTIMATE

Set out below is an estimate of the sales and net profit before taxation of the Group for the twelve months ending 30th April, 1981. For the purpose of this estimate the Group consists of Munton, MTL and from 13th November, 1980 only, Saraset.

Twelve months ending 30th April, 1981:—

	Munton and MTL	*Saraset (from 13th November, 1980)*	*The Group*
	£000's	£000's	£000's
Sales	2,575	209	2,784
Profit before Taxation	195	8	203

The estimate has been prepared on the basis of the following principal assumptions made by the Directors:—

(a) There will be no major disruption of production due to the interruption in the supply of raw materials or services or through industrial disputes.

(b) There will be no restriction on the free flow of imports in respect of raw material requirements.

(c) *There will be no material changes in legislation adversely affecting the Group's* products or markets in which it operates.

(d) The present level of interest rates will remain substantially unchanged.

(e) There will be no major escalation in the present rate of inflation in the United Kingdom.

The Directors anticipate that in spite of the general economic situation the Group will be able to maintain its existing levels of production for the foreseeable future, and will be seeking to continue the steady expansion of production and sales.

LETTERS ON PROFIT ESTIMATE

The following is a copy of a letter from Creasey Son & Wickenden regarding the Group's profit estimate:—

The Directors,
Munton Brothers P.L.C.
25 Gilbert Street,
London, W1Y 1RJ.

1 East Street,
Tonbridge,
Kent TN9 1HP

13th March, 1981

Dear Sirs,

We have reviewed the accounting policies and calculations for the profit estimate (for which the Directors are solely responsible) of the Group for the year ending 30th April, 1981 included in the Prospectus dated 13th March, 1981.

In our opinion the profit estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors set out in the Prospectus dated 13th March, 1981, and is presented on a basis consistent with the accounting policies adopted in our Report dated 16th February, 1981.

Yours faithfully,
CREASEY SON & WICKENDEN,
Chartered Accountants.

The following is a copy of a letter from Griffin and Partners regarding Saraset's profit estimate:—

The Directors,
Munton Brothers P.L.C.
25 Gilbert Street,
London, W1Y 1RJ.

22/24 Buckingham Palace Road,
London, SW1W 0QP

13th March, 1981

Dear Sirs,

We have reviewed the accounting policies and calculations for the profit estimate for Saraset Limited (for which the Directors of Munton are solely responsible) for the period from 13th November, 1980 to 30th April, 1981, included in the Prospectus dated 13th March, 1981.

In our opinion, the profit estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the Directors set out in the Prospectus dated 13th March, 1981 and is presented on a basis consistent with the accounting policies adopted in our Report dated 13th March, 1981.

Yours faithfully,
GRIFFIN AND PARTNERS,
Chartered Accountants.

The following is a copy of a letter from T. C. Coombs & Co. regarding the profit estimate:—

The Directors,
Munton Brothers P.L.C.
25 Gilbert Street,
London, W1Y 1RJ.

22 Finsbury Square,
London EC2A 1DS

13th March, 1981

Dear Sirs,

We have discussed with the Directors of Munton Brothers P.L.C. ("Munton") the profit estimate (for which the Directors of Munton are solely responsible) of the Group (incorporating Saraset Limited for the period from 13th November, 1980) for the year ending 30th April, 1981, included in the Prospectus dated 13th March, 1981 and have satisfied ourselves that, having regard to the assumptions stated in this Advertisement, the profit estimate has been stated by the Directors of Munton after due and careful enquiry.

Yours faithfully,
P. L. DURLACHER,
for and on behalf of
T. C. COOMBS & CO.

PRO FORMA STATEMENT OF THE COMBINED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The following pro forma statement of the combined net tangible assets of the Group incorporating Monument and Saraset is provided for illustrative purposes only and is based on the audited consolidated balance sheet of Munton at 31st October, 1980, as set out in the Report by Creasey Son & Wickenden which appears below and the pro forma statement of combined assets and liabilities of Monument and Saraset as at 31st October, 1980, and 13th November, 1980, respectively, as set out in the Report by Griffin and Partners which appears below.

	£	£
FIXED ASSETS		652,455
GOODWILL		18,866
CURRENT ASSETS		
Stock and Work in Progress	555,546	
Debtors and Prepayments	183,441	
Bank Balances and Cash (note ii)	539,013	
	1,278,000	
CURRENT LIABILITIES		
Creditors and Accruals	779,319	
Bank Overdraft	40,000	
	819,319	
NET CURRENT ASSETS		458,681
		1,130,002
LONG-TERM LOAN		250,000
		880,002
Less: Estimated Expenses of the Acquisition of Monument and Saraset and the listing and placing of shares in Munton		110,000
NET TANGIBLE ASSETS		£770,002

Notes:

(i) The above pro forma statement reflects the repayment on 6th February, 1981 to Munton of group indebtedness of £232,790 at 31st October, 1980 and the payment of a dividend by Munton on the same date.

(ii) Included in this figure is the sum of £306,000, being the gross proceeds of the placing referred to in this Prospectus.

POLICY, PROSPECTS AND PROPOSED PLACING

It is the intention of Munton to seek to expand its textile interests both by internal growth and by acquisition. *The Directors of Munton have no present intention of diversifying activities outside* the textile industry and Munton does not propose to become involved in areas of business similar to those of TIL's other holdings. It is proposed that Munton should operate as a wholly autonomous listed public company.

Munton proposes to raise £306,000 by way of a placing of Ordinary Shares of 10p each in Munton. Coombs have agreed to place 1,700,000 Ordinary Shares of 10p each in Munton at a price of 18p per share. The net proceeds of the placing will be used to increase the working capital available to the Group.

No future trading activity is proposed in Monument and its subsidiaries, other than Saraset.

ACCOUNTANT'S REPORTS

The following is a copy of a Report received from the Company's auditors, Creasey Son & Wickenden, Chartered Accountants:—

The Directors
Munton Brothers Limited
25 Gilbert Street
London W1Y 1RJ
and
T. C. Coombs & Co.
22 Finsbury Square
London EC2A 1DS

Creasey Son & Wickenden
1 East street
Tonbridge
Kent TN9 1HP

16th February, 1981.

Gentlemen,

We have examined the audited accounts of Munton Brothers Limited ("Munton") for the five years and ten months from 1st January, 1975 to 31st October, 1980 and of its subsidiary, Munton Textiles Limited ("MTL"), from the date of incorporation on 24th October, 1979 to 31st October, 1980 (together called the "Munton Group"). From the date of incorporation to 17th October, 1980, MTL was a wholly-owned subsidiary of Taddale Holdings Limited. Munton is also a subsidiary of Taddale Holdings Limited. On 17th October, 1980, MTL became a wholly-owned subsidiary of Munton. We have acted as Munton's auditors only in respect of the sixteen months ended 30th April 1980 and the six months ended 31st October, 1980, the previous accounts having been audited by another firm of Chartered Accountants.

We have acted as auditors of MTL since its incorporation. Trading commenced on 1st April, 1980 and the results for the seven-month period ended 31st October, 1980 have been consolidated with the results of Munton for the six-month period ended 31st October, 1980. The turnover of MTL during the month of April, 1980 amounted to only £2,184.

The summarised profit and loss accounts, balance sheets and statements of source and application of funds of the Munton Group set out below are based on the audited accounts after making such adjustments as we consider appropriate. They have been prepared under the historical cost convention.

1. Accounting Policies

(a) *Deferred Taxation*

There is a liability to taxation of approximately £35,000 which has been deferred as a result of claiming capital allowances on fixed assets in advance of a charge for depreciation in the accounts, but the Directors are of the opinion that no liability is likely to arise from a reversal of this timing difference in the foreseeable future and, consequently, no provision has been made.

On the basis that the new stock relief provisions outlined in the Inland Revenue Press Release made on 14th November, 1980 will be implemented in principle, no deferred taxation liability arises in connection with stock relief claimed up to 31st October, 1980.

(b) *Depreciation*

Depreciation is calculated to write off the cost of all assets by reducing annual instalments at the following rates per annum:

Plant and Equipment	15 per cent.
Fixtures and Fittings	15 per cent.
Motor Vehicles	25 per cent.

(c) *Stock and Work in Progress*

(i) Stock of materials is valued at the lower of cost and net realisable value.

(ii) Work in Progress is valued at the direct costs of materials and labour.

(iii) Finished goods are valued at the direct costs of materials, labour and attributable overheads.

(d) *Government Grants*

Grants of a revenue nature are credited to the Profit and Loss Account in the accounting period to which they relate. Capital grants are deducted from the cost of the associated fixed assets.

2. Profit and Loss Accounts

A summary of the adjusted profit and loss accounts of Munton for the periods ended 31st October, 1980 (incorporating the results of MTL for the final period) is set out below:—

	Note	Year ended 31st December 1975 £	1976 £	1977 £	1978 £	16 months ended 30th April, 1980 £	6 months ended 31st October, 1980 £
Turnover	(i)	498,296	555,505	1,518,439	1,861,720	2,927,504	1,375,306
Cost of Sales	(ii)	450,113	532,877	1,481,536	1,681,691	2,713,467	1,283,582
Trading Profit		48,183	22,628	36,903	180,029	214,037	91,724
Other Income	(iii)	15,406	18,681	52,144	46,751	69,060	23,452
Profit before Taxation		63,589	41,309	89,047	226,780	283,097	115,176
Taxation	(iv)	39,150	19,650	20,000	—	—	—
Profit after Taxation		24,439	21,659	69,047	226,780	283,097	115,176
Dividends	(v)	—	—	—	—	160,000	—
Profit transferred to Reserves		£24,439	£21,659	£69,047	£226,780	£123,097	£115,176

Notes

(i) *Turnover*

Turnover represents sales invoiced in the ordinary course of business to third parties excluding value added tax. The turnover for the years ended 31st December, 1975 and 31st December, 1976 relates to the manufacture and supply of shirts to Munton's former holding company who then supplied to Marks & Spencer Limited, whereas, from 1st January, 1977, Munton manufactured and supplied direct to Marks & Spencer Limited.

(ii) *Cost of sales includes:*

	Year ended 31st December 1975 £	1976 £	1977 £	1978 £	16 months ended 30th April, 1980 £	6 months ended 31st October, 1980 £
Director's remuneration	300	300	300	9,431	24,760	15,105
Interest payable	701	2,773	13,331	12,981	23,619	2,871
Discount allowed	—	—	54,645	65,360	115,929	50,594
Depreciation	5,731	6,678	7,773	7,022	11,560	5,832
Plant hire	1,687	1,736	1,639	2,202	8,962	5,120
Auditors' remuneration	500	700	900	1,100	3,000	2,000

(iii) *Other income includes:*

	1975 £	1976 £	1977 £	1978 £	16 months ended 30th April, 1980 £	6 months ended 31st October, 1980 £
Grants receivable	14,156	16,041	36,731	35,658	28,316	—
Interest receivable	—	1,529	2,387	113	17,941	14,594
Discount received	1,250	1,111	13,026	10,980	22,803	8,858

(iv) *Taxation*

In so far as Munton is concerned, taxation has been dealt with for the six-month period ended 31st October, 1980 on the basis that the revised form of stock relief outlined in the Inland Revenue Press Release made on 14th November, 1980 will be implemented in principle in the Finance Act 1981, and will apply to Munton's accounting year ending 30th April, 1981. On the assumption that the Government "All Stocks" Index will increase by approximately 10 per cent. during that year, estimated stock relief amounting to 5 per cent. of stock and work in progress at 1st May, 1980 has been deducted from the adjusted profit for the six months ended 31st October, 1980. It has been assumed that the profits assessable to corporation tax will be covered by group relief and therefore no corporation tax has been provided in the accounts.

The taxation charges shown for the years ended 31st December, 1975, 1976 and 1977 are in respect of United Kingdom Corporation Tax based on the results of those years, which were substantially covered by tax losses surrendered by its former holding company. No liability to corporation tax arose in the year ended 31st December, 1978 and the sixteen months ended 30th April, 1980, due mainly to available stock appreciation relief.

There is no liability to corporation tax on the results of MTL for the period from incorporation due to available capital allowances.

(v) *Dividends*

The dividend shown in the accounts for the sixteen months ended 30th April, 1980 is equivalent to £3.20 per share on the 50,000 Ordinary Shares of Munton.

3. Balance Sheet

The balance sheets of the Munton Group and Munton at 31st October, 1980, are set out below:

	Notes	Munton Group £	Munton £
FIXED ASSETS	(i)	642,097	613,761
INVESTMENT IN SUBSIDIARY	(ii)	—	25,000
CURRENT ASSETS			
Group Companies	(iii)	232,790	203,411
Stock and Work in Progress	(iv)	445,064	443,244
Debtors and Prepayments		170,186	150,467
Bank Balances and Cash		307,556	307,456
		1,155,596	1,104,578
CURRENT LIABILITIES			
Creditors and Accruals		608,871	591,557
Dividend Payable		160,000	160,000
Bank Overdraft (secured)		147,347	147,237
		916,218	898,794
NET CURRENT ASSETS		239,378	205,784
		881,475	844,545
LONG TERM LOAN	(v)	250,000	250,000
NET ASSETS		£631,475	£594,545
SHARE CAPITAL	(vi)	50,000	50,000
RESERVES	(vii)	581,475	544,545
		£631,475	£594,545

Notes

(i) *Fixed Assets*

	Munton Group £	Munton £
Cost (net of grants) or revaluation		
Long Leasehold (note viii)	575,000	575,000
Plant and Equipment	98,967	72,209
Fixtures and Fittings	27,950	23,958
Motor Vehicles	6,172	6,172
	708,089	677,339
Depreciation		
Long Leasehold	—	—
Plant and Equipment	48,369	46,278
Fixtures and Fittings	14,544	14,221
Motor Vehicles	3,079	3,079
	65,992	63,578
Book Value		
Long Leasehold	575,000	575,000
Plant and Equipment	50,598	25,931
Fixtures and Fittings	13,406	9,737
Motor Vehicles	3,093	3,093
	£642,097	£613,761

(ii) *Investment in Subsidiary*

This represents Munton's 100% interest in MTL.

(iii) *Group Companies*

The amount due by Group companies arises as a result of Inter-Group arrangements. This amount was repaid on 6th February, 1981.

(iv) *Stock and Work in Progress*

	Munton Group £	Munton £
Stock of materials	142,079	142,079
Work in Progress	89,940	89,940
Finished goods	213,045	211,225
	£445,064	£443,244

(v) *Long-Term Loan*

This loan has been granted by Barclays Bank Limited by a facility letter dated 18th February, 1981. The loan will be for a period of 20 years repayable by monthly capital repayments of £1,042. The loan will be secured on the long leasehold property and carries interest at a rate of 3.5 per cent. per annum above the base rate of Barclays Bank Limited.

(vi) *Share Capital*

	Munton Group £	Munton £
Authorised, issued and fully paid at 31st October, 1980 Ordinary Shares of £1 each	£50,000	£50,000

Since 31st October, 1980 the authorised share capital has been increased to £1,000,000 and a further 25,000 Ordinary Shares of £1 each have been issued for cash at par. Reserves amounting to £275,000 have been capitalised, which has created issued capital of £350,000. On 12th February, 1981, the shares were subdivided into Ordinary Shares of 10p each.

(vii) *Reserves*

	Munton Group £	Munton £
Retained Profits	361,809	324,879
Capital Reserve	1,666	1,666
Surplus on revaluation of long leasehold (note viii)	218,000	218,000
	£581,475	£544,545

No provision has been made for any capital gains tax that would arise as a result of the revaluation of the long leasehold property. If the property was realised at the above valuation a liability of approximately £65,000 would arise.

(viii) *Post-Balance Sheet Event*

On 9th February, 1981 *Munton agreed to surrender its existing lease and to take a new lease for a term of 999 years* commencing 31st October, 1980, on its existing factory premises together with additional adjacent factory premises at a rent of £1 per annum, in consideration of a premium of £350,000. The attributable costs of purchase are estimated at £7,000. Healey & Baker, Surveyors, have valued the proposed new long lease as at 31st October, 1980 at £575,000. In view of the materiality of this transaction the above figures have been reflected in the balance sheet at 31st October 1980.

(ix) *Capital Commitments*

The board of MTL has authorised capital expenditure amounting to approximately £37,000, for which contracts had not been placed at 31st October, 1980.

(x) *Contingent Liabilities*

At 31st October, 1980 Munton and MTL have jointly and severally guaranteed the bank overdrafts of certain companies of the Group of which Munton and MTL are members. The total overdraft of the companies concerned within the Group at that date amounted to £1,051,214. However, Munton's bankers have confirmed that upon the Offer becoming unconditional the Munton Group will be released from its guarantees.

Munton, in addition, are unlimited guarantors of Saraset, a company which at 31st October, 1980 had no assets or liabilities.

4. Statement of Source and Application of Funds

A summary of the source and application of funds of Munton for the periods ended 31st October, 1980 (incorporating the results of MTL for the final period), is set out below.

	Year ended 31st December 1975 £	1976 £	1977 £	1978 £	16 months ended 30th April, 1980 £	6 months ended 31st October, 1980 £
Source of Funds						
Profit before Taxation	63,589	41,309	40,647	66,780	201,897	115,176
Adjustment for Items not Involving the Movement of Funds:						
Depreciation	5,731	6,678	7,773	7,022	11,560	5,832
Loss on Sale of Fixed Assets	—	—	—	—	919	2
Total generated from business operations	69,320	49,987	48,420	73,802	214,376	121,010
Sale of Fixed Assets	—	—	—	—	100	173
Loans Raised	—	100,000	—	—	—	250,000
Capital Grants Receivable	—	—	—	—	—	12,085
	69,320	147,987	48,420	72,803	214,476	383,268
Application of Funds						
Investment in Fixed Assets	316	12,532	14,343	3,031	15,289	400,523
Loan Repaid	—	—	—	—	50,000	50,000
Taxation Paid	—	—	4,800	—	—	—
Reinstatement of Premises	10,000	—	—	—	—	—
	10,316	12,532	19,143	3,031	65,289	450,523
	£59,004	£135,455	£29,277	£70,771	£149,187	£ (67,255)
Changes in Working Capital						
Increase/(Decrease) in:						
Group Companies	86,764	(103,297)	(3,356)	—	—	(134,186)
Stock and Work in Progress	(11,491)	150,298	(5,271)	89,276	233,276	(43,645)
Debtors and Prepayments	(3,883)	4,530	120,038	104,786	(111,726)	44,682
Decrease/(Increase) in:						
Group Companies:	—	—	—	(150,381)	518,760	—
Creditors and Accruals	(12,271)	(15,010)	(106,957)	(57,770)	(307,597)	(168,409)
Movement in Net Liquid Funds:						
Bank and Cash	(115)	98,934	24,823	84,860	(183,526)	234,303
	£59,004	£135,455	£29,277	£70,771	£149,187	£ (67,255)

5. We are of the opinion that the financial statements incorporated within this Report give a true and fair view of the state *of the Munton Group's affairs at 31st October, 1980, as adjusted for post-balance sheet events and of the results and source* and application of funds for the periods ended on that date.

Yours faithfully,
CREASEY SON & WICKENDEN.
Chartered Accountants.

The following is a copy of a Report received from Griffin and Partners, Chartered Accountants:—

The Directors,
Munton Brothers P.L.C.
25 Gilbert Street,
London W1Y 1RJ.

22/24 Buckingham Palace Road,
London SW1W 0QP.

13th March, 1981

Gentlemen,

We have been asked to report on Saraset Limited ("Saraset").

On 13th November, 1980 a Receiver was appointed to Universal Towel Company Limited (now in receivership and liquidation) ("UTC") and on 2nd December, 1980 the business and certain of the assets of UTC were agreed to be sold to Saraset, a wholly-owned subsidiary of UTC. On the same date Munton Brothers P.L.C. entered into a conditional agreement to acquire Saraset. Conditional upon the offer made by Munton Brothers P.L.C. to the shareholders of Monument Securities Limited ("Monument") becoming unconditional, the secured creditors of Monument have agreed to waive a part of the debts due to them (as shown in Note (d) to the pro forma statement of combined assets of Monument and Saraset below). Under an Order for winding-up dated 8th December, 1980, UTC was placed into compulsory liquidation.

1. Saraset Limited

Munton Brothers P.L.C. has conditionally agreed to purchase the whole of the share capital of Saraset which, in turn, has agreed to purchase from the Receiver of UTC the goodwill and certain of the assets of UTC.

Saraset was incorporated on 5th November, 1980 and, no accounts having been prepared since that date, no trading record is available.

2. Pro Forma Statement of Combined Assets of Monument and Saraset

The following *pro forma* Statement, which is provided for illustrative purposes only sets out the assets and liabilities of Monument at 31st October, 1980 and Saraset at 13th November, 1980, being the date of appointment of the Receiver to UTC on the basis that the offer by Munton Brothers P.L.C. becomes unconditional. It incorporates the effect of the receivership of UTC and the waiving of the debts due to them by certain creditors of Monument as set out below.

	Notes	£	£
FIXED ASSETS	(a)		10,358
GOODWILL	(b)		18,866
CURRENT ASSETS			
Stocks	(c)	110,482	
Debtors		13,255	
Cash		14	
		123,751	
CURRENT LIABILITIES			
Bank Overdrafts	(d)	40,000	
Creditors	(e)	170,448	
		210,448	
NET CURRENT LIABILITIES			(86,697)
			£ (57,473)

Notes

(a) Fixed Assets are shown at the consideration payable to the Receiver of UTC, which is considered to be market value or at cost less accumulated depreciation.

(b) Goodwill represents the excess of the consideration payable to the Receiver of UTC for the business to be taken over by Saraset over the fair value attributable to the assets purchased.

(c) Stocks are valued at purchase cost together with related duty.

(d) Barclays Bank Limited who have advanced money to Monument and to UTC have agreed that in the event of the offer by Munton Brothers P.L.C. becoming unconditional they will waive their debt from Monument and release Monument from its guarantee of UTC's debt. The Royal Bank of Scotland Limited who have advanced money to Monument have agreed to accept £40,000 in full settlement of its debt which at 31st October, 1980 amounted to £200,311.

(e) Munton Brothers P.L.C. has conditionally agreed to procure payment of up to £16,000 to discharge preferential creditors of Monument and has also conditionally agreed to make payments to certain unsecured creditors of Monument which those creditors have agreed to accept in full settlement.

Yours faithfully,
GRIFFIN AND PARTNERS,
Chartered Accountants.

STATUTORY AND GENERAL INFORMATION

1. Share Capital

Munton was incorporated in England under the Companies Act 1929 on 11th November, 1931 as a private company (No. 260293) with an authorised share capital of £100 divided into 100 shares of £1 each.

On 30th January, 1981:—

(i) the authorised share capital of Munton was increased from £50,000 to £600,000 by the creation of 550,000 Ordinary Shares of £1 each;

(ii) 275,000 Ordinary Shares of £1 each were allotted to the existing shareholders, credited as fully paid up, by way of bonus issue;

(iii) 25,000 Ordinary Shares of £1 each were allotted to Taddale Holdings Limited for cash at par.

On 12th February, 1981, the 600,000 Ordinary Shares of £1 each of Munton were subdivided into 6,000,000 Ordinary *Shares of 10p each and the authorised share capital of Munton was further increased to £1,000,000 by the creation of* 4,000,000 Ordinary Shares of 10p each.

On 30th April, 1980, 24,998 Ordinary Shares of £1 each in MTL were allotted for cash at par.

307,650 Ordinary Shares of 10p each in Munton will be allotted, credited as fully paid up, upon listing of such shares, in respect of acceptances received under the Offer by 10th March, 1981. Further Ordinary Shares of 10p each in Munton will be *allotted, credited as fully paid up, in respect of additional acceptances received under the Offer prior to 24th March, 1981*, the date upon which the Offer closes. 1,700,000 Ordinary Shares of 10p each of Munton are to be allotted pursuant to the placing agreement referred to in paragraph 5 (iv) below at a placing price of 18p per share.

Saraset was incorporated on 5th November, 1980 with an authorised share capital of £100 divided into 100 shares of £1 each. Only the two subscribers shares have been issued.

Under the Placing Agreement referred to in paragraph 2 (iv) below Coombs are entitled to receive a commission of 2 per cent. of the gross proceeds of the placing.

Save as stated in this paragraph:—

(i) No share or loan capital of Munton or any subsidiary has within two years prior to the date of the issue of this document been issued, agreed to be issued or is now proposed to be issued whether for cash or otherwise.

(ii) *No share or loan capital of Munton or any subsidiary is under option or agreed conditionally or* unconditionally to be put under option.

(iii) No commissions, discounts, brokerages or other special terms have been granted by Munton or any subsidiary within two years prior to the date of the issue of this document in connection with the issue or sale of any part of their respective share or loan capital and none will be made within one year of the publication *hereof without the prior approval of the shareholders of the Company in General Meeting.*

2. Articles of Association

The Articles of Association of Munton contain provisions, *inter alia*, to the following effect:—

Voting

Every holder of shares shall have one vote only on a show of hands, but on a poll shall have one vote for every Ordinary Share held by him.

Borrowing Powers

The Directors shall restrict the borrowings of Munton and its subsidiaries so as to secure (as regards subsidiaries so far as they have power to secure) that the aggregate amount at any one time outstanding of all moneys borrowed or secured by Munton and its subsidiaries (exclusive of intra-group borrowings) shall not, without the previous sanction of an Ordinary Resolution of Munton, exceed a sum equal to four times the Adjusted Capital and Reserves (as defined in the Articles of Association).

Directors

(a) *No shareholding qualification is required of a Director.*

(b) A Director shall not vote (nor be counted in the quorum) on any Resolution of the Board in respect of any contract or arrangement in which he is, to his knowledge, materially interested and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any of the following matters, namely:—

(i) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for this purpose to be a material interest in all circumstances);

(ii) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme which relates both to Directors and employees and does not accord to *any Director as such any privilege or advantage not generally accorded to the employees to which such* scheme or fund relates;

(iii) any arrangment for the benefit of employees under which the Director benefits in a similar manner to the employees.

(c) No person shall be disqualified from being appointed a Director and no Director shall be required to vacate his *office by reason only of the fact that he has attained the age of seventy years, or any other age.*

(d) Each Director is entitled to receive a fee of £500 per annum or such other sum as may be determined by Ordinary Resolution of Munton. In addition, each Director may be paid reasonable travelling, hotel and incidental expenses of attending Board Meetings or otherwise incurred in the conduct of Munton's business. Any Director who at the request of the Board performs services beyond his ordinary duties as a Director, may be paid such extra remuneration as the Board may determine *in addition to his ordinary remuneration as a Director.*

(e) The Directors may appoint any one or more of their number to be an Executive Director on such terms including terms as to remuneration, as the Board may think fit.

(f) The Directors may grant pensions or annuities or other allowances to any person including any Executive Director or former Executive Director or his relations, connections or dependants without the sanction of an Ordinary Resolution.

Reference should be made to the Articles of Association of Munton for their full terms and effect.

3. Munton's Subsidiaries

Munton has the following wholly-owned subsidiary, whose shares are not listed on any Stock Exchange:—

Name	Place and Date of Incorporation	Issued Share Capital	General Nature of Business
Munton Textiles Limited	England, 24th October, 1979	£25,000	Textile Manufacturers

Following the acquisition of Monument and Saraset, Munton will have the following further subsidiaries:—

Name	Place and Date of Incorporation	Issued Share Capital	General Nature of Business
Monument Securities Limited	England, 19th March, 1962	£742,310.80	Investment Holding Co.
Universal Towel Company Limited (in receivership and liquidation)	England, 6th September, 1957	£5,775.00	Not Trading
Super-Matic Handtuchautomation	Germany, 28th January, 1964	DM 10,000	Not Trading
SupaMatic France SRL	France, 1st October, 1973	FF 20,000*	Not Trading
Olympia Mills (Bradford) Limited	England, 10th June, 1930	£52,800	Not Trading
Saraset Limited	England, 5th November, 1980	£2	Import and Sale of Towels

4. Director's and Other Interests

Mr. A. R. J. Cartwright is a Director and Secretary of Taddale Securities Limited ("TSL") and Taddale Holdings Limited ("THL") both of which are subsidiaries of TIL and are shareholders in Munton. Mr. M. R. Carlton and Mr. A. I. Littman are *Directors of TSL and THL. Both Mr. Cartwright and Mr. Carlton are also Directors of TIL. Mr. Carlton owns 500 Ordinary Shares* of £1 each in TIL (representing approximately 1 per cent. of the issued share capital of TIL). Mr. A. I. Littman owns 10,000 20 per cent. 50p Preference Shares in THL (representing approximately 1.2 per cent. of the issued share capital of THL)

Mr. J. Morrison accepted the Offer in respect of 92,068 Ordinary Shares of 10p each in Monument.

Following the acquisition of Monument and the proposed placing, the Directors of Munton will have the following interests (all of which are beneficial) in the share capital of Munton:—

Name	No. of Ordinary Shares
A. I. Littman	40,000
T. Gallagher	30,000
M. R. Carlton	25,000
A. R. J. Cartwright	25,000
J. Morrison	35,000

The following are the shareholdings in Munton amounting to 5 per cent. or more of its issued share capital as at 13th March, 1981:—

Name	No. of Ordinary Shares
Taddale Securities Limited	3,250,000

In addition, Taddale Holdings Limited holds a further 250,000 Ordinary Shares of 10p each in Munton.

Save as disclosed in this document, no Director of Munton has or has had, within two years before the date hereof, any *interest in any assets which have been or which are proposed to be acquired or disposed of by or leased to Munton or any* subsidiary and no contract or arrangement subsists at the date hereof in which a Director of Munton or any subsidiary is materially interested and which is significant in relation to the business of the Group.

5. Material Contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by Munton or its subsidiaries and Monument and its subsidiaries within two years prior to the date hereof and are or may be material:—

(i) Agreement dated 2nd December, 1980 and made between UTC (1) and Munton (2) whereby *(inter alia)*, in consideration of UTC agreeing to endeavour to procure, Saraset continues to trade pending completion of the agreement referred to in (ii) below. Munton agreed to procure and secure by a guarantee and debenture an overdraft facility for Saraset of up to £85,000 and to indemnify UTC against any diminution in the net assets of Saraset by its trading prior to such completion.

(ii) Agreement dated 2nd December, 1980 (as amended by Agreement dated 26th February, 1981) and made between UTC (1) and Munton (2) whereby *(inter alia)*, conditionally upon the Offer becoming unconditional, Munton agreed to purchase the whole of the issued share capital of Saraset for £2.

(iii) Agreement dated 12th February, 1981 and made between Munton (1) and T. Gallagher (2), being a Service Agreement for a term of 5 years from 12th February, 1981 at an annual salary of £14,000 subject to review, plus a commission equal to 1½ per cent. of the pre-tax trading profits of the Group.

(iv) Agreement dated 13th March, 1981 and made between Munton (1) and T. C. Coombs & Co. ("Coombs") (2) whereby *(inter alia)* Coombs have agreed to purchase or procure purchasers for 1,700,000 Ordinary Shares of 10p each in Munton at a price of 18p per share.

(v) Agreement dated 12th February, 1981 and made between Munton (1) and C. J. Armstrong (2) whereby, subject to the Offer becoming unconditional, Munton agreed to lend or procure the making of a loan to Mr. Armstrong of £13,121 to enable him to repay to Monument that mount due by him to Monument.

(vi) Agreement dated 12th February, 1981 and made between Munton (1) and C. J. Armstrong (2) whereby, subject to the Offer becoming unconditional, Mr. Armstrong agreed to enter into a consultancy agreement with Munton for a term of 5 years from the date of the agreement at an annual fee of £2,600.

(vii) Agreement dated 12th February, 1981 and made between Munton (1) and D. J. Finlay-Mulligan (2) whereby, subject to the Offer becoming unconditional, Munton agreed to pay to Mr. Finlay-Mulligan the sum of £2,940 due to him by Monument, as to £1,500 in respect of his net salary for the month of October 1980 and as to £1,440, payment in lieu of notice in respect of the termination of his employment with Monument.

(viii) Agreement dated 16th February, 1981 and made between Munton (1) and Barclays Bank Limited ("Barclays") (2) whereby, upon the Offer becoming unconditional, Barclays agreed to enter into a deed of waiver waiving all the indebtedness of Monument to Barclays.

(ix) Agreement dated 6th February, 1981 and made between Munton (1) and The Royal Bank of Scotland Limited ("the Bank") (2) whereby Munton agreed that, upon the Offer becoming unconditional, it would pay or procure payment to the Bank of the sum of £40,000 in full and final settlement of Monument's indebtedness to the Bank.

(x) Agreement dated 9th February, 1981 and made between the Department of Commerce for Northern Ireland (1) and Munton (2) whereby Munton agreed to surrender the current lease of its factory at Marshalls Road, East Belfast, and to take a new lease for a term of 999 years commencing 31st October, 1980 at a rent of £1 per annum of its present factory plus adjacent factory premises at a premium of £350,000.

(xi) Assignment dated 13th February, 1981 and made between UTC (acting by its receiver) (1) and Munton (2) whereby all sums due and owing and becoming due and owing by Monument to UTC were assigned to Munton in consideration of the sum of £100.

(xii) Agreement dated 9th November, 1979 and made between UTC (1) and Universal Towel Incorporated ("UTI") under which UTC granted to UTI an exclusive licence to manufacture, use and sell machines falling within the scope of US patents therein referred to in consideration of the mutual covenants and obligations therein construed.

(xiii) Agreement dated 9th November, 1979 and made between UTI and Supa-Matic Machinery Corporation ("Supa-Matic") under which UTI granted to Supa-Matic an exclusive licence in respect of UTI's rights under the above-mentioned patents to manufacture, use and sell the above-mentioned machines in consideration of 1 U.S. Dollar.

(xiv) Agreement dated 9th November, 1979 and made between UTI and Supa-Matic setting out the terms upon which Super-Matic wants to manufacture certain Supawash and Mat Washer equipment for UTI.

(xv) Agreement dated 24th November, 1980 and made between UTC and Saraset whereby Saraset agreed to purchase the whole of the undertaking business and assets (excluding UTC's leasehold premises and book and other debts) and goodwill of UTC for £111 000 payable in cash.

(xvi) Agreement dated 22nd October, 1980 and made between UTC (1) and David Kennedy (Engineers) Limited ("DKE") (2), being a settlement agreement in respect of outstanding litigation.

(xvii) Agreement dated 23rd October, 1980 and made between UTC (1) and DKE (2) (as amended by supplemental *Agreement dated 12th November, 1980) whereby (inter alia)* UTC granted to DKE an exclusive licence in respect of certain patents in consideration of royalties of 5 per cent. on sales of U.S. machines and of 3 per cent. on sales of non-U.S. machines.

6. Taxation

The Directors have been advised that Munton is a close company as defined by the Income and Corporation Taxes Act 1970.

7. General

(i) As at 10th March, 1981, Monument and its subsidiaries were indebted to their bankers in the sum of £652,077 *plus accrued interest and formal notices requiring repayment have been received. A formal notice from H.M. Customs and* Excise requiring payment of £15,140 has also been received by Monument. Monument owes other unsecured creditors approximately £33,900 in aggregate. In addition, Monument is liable under various guarantees in respect of the liabilities of its subsidiaries amounting to approximately £267,637 in aggregate. Monument is unable to meet these liabilities. Subject to the Offer becoming unconditional, Monument's bankers have entered into an agreement with Munton to waive all sums due to them by Monument other than the sum of £40,000 due by Monument to The Royal Bank of Scotland Limited. Save as disclosed, *the Directors of Munton are not aware of any litigation or claim of any material importance pending or threatened against* Munton or its subsidiaries.

(ii) Save as mentioned in paragraph 1 above, no material issue of shares (other than to shareholders *pro rata* to existing holdings) will be made within one year from the date hereof and no issue of shares will be made which would effectively alter the control of Munton without the prior approval of the shareholders of Munton in General Meeting.

(iii) The expenses incurred by Munton and by Monument in connection with the Offer, placing and Listing, including stamp duty, legal fees and printing expenses are payable by Munton and are estimated to amount to approximately £110,000.

(iv) In the opinion of the Directors, Munton has sufficient working capital for its present requirements.

(v) In the opinion of the Directors, no amount is required for any matters referred to in paragraph 4 of the Fourth Schedule of the Companies Act 1948 as amended.

(vi) *The total emoluments of the Directors of Munton for the financial year ended 30th April, 1980 were £24,760. It is* estimated that the total emoluments of the Directors of Munton for the financial year ending 30th April, 1981 will be, £25,000.

(vii) Creasey Son & Wickenden, Chartered Accountants, have given and not withdrawn their written consent to the issue of this document with the inclusion of their Report and Letter and the references to them in the form and context in which they are included.

(viii) *Griffin and Partners, Chartered Accountants, have given and not withdrawn their written consent to the issue of* this document with the inclusion of their Report and Letter and the references to them in the form and context in which they appear.

(ix) T.C. Coombs & Co., members of The Stock Exchange, have given and not withdrawn their written consent to the inclusion in this document of their Letter and of the references to them in the form and context in which they appear.

(x) *Healey & Baker, Surveyors, have given and not withdrawn their written consent to the issue of this document* with the inclusion of the references to them and their valuation in the form and context in which they appear.

(xi) Save for the Service Agreement with Mr. T. Gallagher, referred to in paragraph 5 (iii) above, there are no Directors' Service Agreements with Munton or any of its subsidiaries, nor are any proposed.

(xii) Subscription lists open at 10.00 a.m. on 18th March, 1981 and close at the same time.

(xiii) The documents attached to the copies of this Prospectus and delivered to the Registrar of Companies for registration were:—

(i) the written consents referred to in sub-paragraphs (vii), (viii), (ix) and (x) above;

(ii) the statement of adjustments of Creasey Son & Wickenden setting out the adjustments made in arriving at the figures contained in their Report; and

(iii) copies of the material contracts referred to in paragraph 5 above.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekdays (Saturdays and Bank Holidays excepted) at the offices of Stallard & Co., Leith House, 47-57 Gresham Street, London EC2V 7EJ, up to and including 30th March, 1981:—

(a) The Memorandum and Articles of Association of Munton, Monument and Saraset.

(b) The audited accounts of Munton for each of the last two financial periods ended 31st December, 1978 and 30th April, 1980, and the audited consolidated accounts of Munton for the six months ended 31st October, 1980.

(c) The audited accounts of Monument for each of the last two financial years ended 31st March, 1979 and 31st March, 1980 and for the seven months ended 31st October, 1980.

(d) The material contracts, referred to in paragraph 5 above.

(e) The Report of Creasey Son & Wickenden, set out above, together with the statement of adjustments relating thereto.

(f) The Report of Griffin and Partners, set out above.

(g) The Letters on Profit Estimate, set out above.

(h) The letters of consent, referred to in paragraphs 7 (vii), (viii), (ix) and (x) above.

(i) The valuation of Healey & Baker of the long leasehold interest in the factory at Marshalls Road, East Belfast referred to above.

DATED 13th March, 1981.

NEW YORK

1980-81 High	Low	Stock	Mar. 13
51¾	27½	ACF Industries	48
26⅞	11⅝	AMF	23½
24⅜	11	AM Intl	15½
36⅞	25	ARA	35½
91	37½	ASA	48⅝
44¼	17	AVX Corp	34
60⅞	34½	Abbotts Labs	60
33⅞	19	Acme Cleve	24⅛
70¼	29⅞	Adobe Oil & Gas	38⅝
40	30	Aetna Life & Cas	35¾
24¾	15	Ahmanson (H. F.)	19¼
54	32⅝	Air Prod & Chem	42¾
16¾	8¾	Akzona	14⅛
39¾	23½	Albany Int.	30¾
16⅞	7⅝	Alberto-Culv	13
24½	16⅛	Albertson's	24¼
38½	23	Alcan Aluminium	37⅝
37⅞	25⅝	Alco Standard	33¾
44⅝	25½	Alegheny Ludm	44⅝
61¼	42¼	Allied Chemical	55⅛
26	18⅞	Allied Stores	23¼
36½	23	Allis-Chalmers	30
18	11½	Alpha Portd	12
75¾	31⅝	Alcoa	34⅛
65⅝	23⅛	Amal. Sugar	36⅞
58⅛	37⅛	Amax	58¼
52¾	20½	Amerada Hess	37
14⅜	6¾	Am. Airlines	14⅞
87¾	69	Am. Brands	73½
38	25⅞	Am. Broadcast'g	30
36¼	27½	Am. Can	29¼
37⅛	23⅛	Am. Cyanamid	30½
19⅝	15¼	Am. Elect. Pwr	16⅞
46⅞	25½	Am. Express	46⅜
40⅞	25⅛	Am. Gen. Insnce.	40⅝
26⅜	15¼	Am. Hoist & Dk.	20⅜
32⅝	21½	Am. Home Prod.	32
52	24	Am.Hosp. Suppy.	48
43⅞	19⅛	Am. Medical Intl.	37½
9⅛	3⅞	Am. Motors	4⅝
56½	40⅞	Am. Nat. Resces.	42⅛
71⅞	31	Am. Petfina	64¾
33	11¾	Am. Quasar Pet.	25⅝
37⅜	22⅝	Am. Standard	36
30	20¼	Am. Stores	24½
55¾	46⅛	Am. Tel & Tel	51⅞
35¾	22⅛	Amfac.	25¼
59⅝	33¼	AMP.	48⅝
32⅛	14¼	Amstar	24⅝
47⅝	30⅜	Amstead Inds	44⅞
21	14	Anchor Hockg	19¼
35⅝	21	Anheuser-Bh	35⅜
32½	19½	Arcata	32
42¼	25	Archer Daniels	28⅝
41½	23¼	Armco	40⅝
18⅛	12⅝	Armstrong CK	17⅛
27⅛	14⅜	Asamera Oil	15
57⅛	30⅛	Asarco	43⅝
44⅝	27¾	Ashland Oil	36¾
28⅞	17⅛	Assd D Goods	28⅞
72⅝	38¾	Atlantic Rich.	56⅛
62¼	32¾	Auto-Data Prg	52
32¼	19⅛	Avco	25⅝
24¾	16½	Avery Intl	23½

Indices

NEW YORK —DOW JONES

	Mar. 13	Mar. 12	Mar. 11	Mar. 10	Mar. 9	Mar. 6	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
◆Industr'ls	985.77	989.82	967.67	972.66	976.42	984.62	1004.69 (6/1/81)	759.15 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	62.36	62.22	62.12	61.88	62.55	62.12	76.61 (25/6)	60.96 (18/12)	—	—
Transport.	420.40	417.45	404.28	405.61	405.45	405.75	425.68 (28/11)	255.68 (27/3)	425.68 (28/11/80)	12.23 (8/7/32)
Utilities	108.91	108.99	107.67	108.88	108.51	108.11	117.81 (5/1/81)	95.84 (27/3)	165.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's†	58,290	54,040	47,330	56,610	46,186	43,840	—	—	—	—

◆Day's high 1002.70 low 981.09

	Mar. 6	Feb. 27	Feb. 20	Year ago (approx
Ind. div. yield %	5.74	5.66	5.87	6.00

STANDARD AND POORS

	Mar. 13	Mar. 12	Mar. 11	Mar. 10	Mar 9	Mar. 6	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	150.86	151.11	147.38	147.85	148.86	147.32	160.96 (28/11)	111.09 (27/7)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	133.11	133.19	129.95	130.46	131.12	129.85	140.52 (28/11)	98.22 (15/2/80)	140.52 (28/11/80)	4.40 (1/6/32)

	Mar. 11	Mar. 4	Feb. 25	Year ago (approx
Ind. div. yield %	4.68	4.63	4.46	5.37
Ind. P/E Ratio	9.16	9.27	9.11	7.56
Long Gov. Bond Yield	12.52	12.87	12.75	12.29

N.Y.S.E. ALL COMMON

Mar. 13	Mar. 12	Mar. 11	Mar. 10	1980/81 High	1980/81 Low
76.52	76.27	74.63	74.73	81.02 (28/11)	55.30 22/1/80

Rises and Falls	Mar. 13	Mar. 12	Mar. 11
Issues Traded	1,925	1,897	1,894
Rises	967	1,195	635
Falls	607	357	870
Unchanged	351	345	389
New Highs	—	92	61
New Lows	—	17	18

MONTREAL

APPOINTMENTS

New chief for GKN Sankey

Mr. I. A. Hennessy has been appointed chief executive of GKN SANKEY division and chairman of GKN Sankey. Mr. Hennessy was previously joint managing director. Mr. A. H. Miller has been appointed managing director, GKN Sankey—automotive operations.

★

Mr. Nigel Judah has been appointed finance director of REUTERS and becomes one of three executive members of the Board. Mr. Judah, who joined Reuters as a chartered accountant in 1955, has been company secretary and assistant general manager since 1967 responsible for finance and administration. Other members of the executive board are Mr. Glen Renfrew, now managing director, and Mr. Michael Nelson, deputy managing director.

★

Mr. Christopher Latter, previously with Clifford-Turner, has joined BROWN AND JACKSON as Group legal director.

★

Mr. Brian Oram of Phoenix Assurance and Mr. Peter Archer of Lazard Property Unit Trust have joined the Board of LYSANDER ESTATES.

★

Mr. David Hurst has been appointed director, truck sales, FORD OF BRITAIN, in place of Mr. Andy Thoms who has retired.

★

Mr. A. E. McCormack, formerly assistant managing director of the rolled products division of THE BRITISH ALUMINIUM COMPANY, has been appointed to the new post of director of primary metal sales. Mr. H. R. Herrington, commercial director of the rolled products division, has been appointed sales director of the rolled products division from April 1.

★

Mr. Terry Stanley, formerly with Bellway (South East) has joined the Board of the DECLAN KELLY ASSOCIATES GROUP. In addition, Mr. Stanley has been appointed joint managing director of "Kelly Homes" the housebuilding arm of the Group.

★

Mr. Peter Shaw has been appointed a non-executive director of FINE ART DEVELOPMENTS.

★

Mr. Terry Jones, an Under Secretary, who is at present on secondment to the Housing Corporation, has been appointed head of GREATER LONDON HOUSING AND PLANNING DIRECTORATE. He succeeds Mr. John Gunn, who is transferring within the department to head the water directorate.

★

Air Vice-Marshal Alec Morris has been appointed chief engineer of the ROYAL AIR FORCE. Until recently Air Officer Engineering at RAF Strike Command, he succeeds Air Marshal Sir Geoffrey Ford in this, the most senior engineering post in the Service. The appointment carries the acting rank of Air Marshal.

★

Mr. Richard O. Bond has been elected a director of CRESAP McCORMICK AND PAGET.

★

Mr. Peter Crawley has been appointed a director of POLY-WRAPP, a subsidiary of Polylope.

★

Mr. Tony Heap has been apointed sales director for LIN PAC PLASTICS.

★

Mr. Robin Jenks, managing director, has also been appointed chairman of JENKS AND CATTELL following the retirement of Mr. Arthur Chamberlain.

★

Mr. D. Gordon W. Towler has been made a director of JOHN CROWTHER GROUP. Mr. John Ray has become Group company secretary. Mr. E. Graham Smith, the group's chief designer, has been apointed to the Board of the major subsidiary John Crowther and Sons (Milnsbridge).

★

G. MAUNSELL AND PARTNERS has appointed Mr. K. S. Miles a partner from April 1.

SPANISH S.E.

1980 High	1980 Low		March 13 Price %
296	203	Banco Bilbao	290
336	217	Banco Central	332
270	206	Banco Exterior	262
279	200	Banco Hispano	275
137	120	Banco Ind. Cat.	128
176	141	Banco Madrid	141
348	237	Banco Santander	325
190	140	Banco Urquijo	179
320	208	Banco Vizcaya	310
234	175	Banco Zaragoza	234
154	75	Dragados	150
75	45	Espanola Zinc	75
58.7	53.2	Fecsa	58.7
68	22	Gal. Preciados	32
71.7	58.7	Hidrola	64.7
63	55	Iberduero	57
120	77	Petroleos	93
80	59	Petrolibar	70
115	63	Sogefisa	87
63.5	51.5	Telefonica	62
67	58.2	Union Elect.	64.2

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Great Northern Inv. Tst., 90, Mitchell Street, Glasgow, 12.00
Trusthouse Forte, Grosvenor House, Park Lane, W., 12.00

BOARD MEETINGS—
Finals:
Canning (W.)
Fisher (James)
Metalrax
Relyon PBWS
Trade Indemnity
Waterford Glass
Woodward (H.)
Interim:
Victor Products (Wallsend)

DIVIDEND & INTEREST PAYMENTS—
Abbey 1.41p
Agricultural Mortgage Cpn. 9½pcDb. 1981-1983 4¾pc
Do. 9½pcDb. 1983-86 4¾pc
Do. 9pcDb. 1979-82 4½pc
Do. 7¾pcDb. 1991-93 3⅞pc
Brooke Tool Eng. 2.05p
Cummins Engine 45 cts.
Ellis and Everard 2.5p
Honeywell Inc. 75 cts.
Lazard Brothers Sterling Reserve Fund Ptng. 5p
Louisiana Land and Exploratn. 45 cts.
New Zealand Govt. 3½pc 1981-84 1¾pc
Rodiearn National Glass 5¼pcDb.
Sidlaw Inds. 1.5p
Treasury Stk. 14pc 1982 7pc
Williams and Glyn's Bank Fltg. Rate Cap. Notes 1991 US$62.88

TOMORROW

COMPANY MEETINGS—
Baring Brothers, 88, Leadenhall Street, E.C., 12.30
Essex Water, Great Eastern Hotel, Bishopsgate, E.C., 12.00
Leda Inv. Tst., 44, Bloomsbury Square, W.C., 11.00
SGB Group, Waldorf Hotel, Aldwych, W.C., 11.30

BOARD MEETINGS—
Finals:
Bronx Engineering
Fairclough Construction
IMI
Stag Furniture
Interims:
AB Electronic Products
Barratt Developments
Ductile Steels
London Scottish Finance
Waring and Gillow

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Cpn. Var. Rate Bds. 11/3/83 £8.0375
Helene of London 0.37p
Leumi International Inv. Gtd. Fltg. Rate Notes 1984 US$64.73
Treasury Ln. 12pc 1983 6pc

WEDNESDAY, MARCH 18

COMPANY MEETINGS—
Gopeng Consolidated, 65, London Wall, E.C., 12.15
Jones (Ernest) (Jewellers), 116, Pall Mall, S.W., 12.00
Lowell (Y.J.), Portman Hotel, Portman Square, W., 12.00
Pratt (F.) Eng., Grosvenor House, Park Lane, W., 12.00
Saatchi and Saatchi, Savoy Hotel, Strand, W.C., 12.0
Union Discount of London, 39, Cornhill, E.C., 12.00

DIVIDEND & INTEREST PAYMENTS—
Cambridge Water 3.5pc (fmly. 5pc) Con. 1.75pc
Do. 4.2pc (fmly. 6pc) Red. Prf. 1984-86 2.1pc
Do. 4.55pc (fmly. 6½pc) Red. Prf. 1982-84 2.275pc
Garford-Lilley Inds. 0.25p

THURSDAY, MARCH 19

COMPANY MEETINGS—
Crescent Japan Inv. Tst., 4, Melville Crescent, Edinburgh, 12.30
East Anglian Water, 163, High Street, Lowestoft, Suffolk, 3.00
Greenfriar Inv., 11, Austin Friars, E.C., 2.30
Henlys, Henlys House, 385-7, Euston Rd., N.W., 12.00
Watson and Philip, Angus Hotel, Marketgait, Dundee, 3.30
Whatlings, Great Eastern Hotel, Liverpool Street, E.C., 12.00

DIVIDEND & INTEREST PAYMENTS—
Beales (John) Associated Ln. 3¼pc
Great Northern Inv. Tst. 4.6p
Newmark (Louis) 4p
Ransomes Sims and Jefferies 5½pcPf. 1.925pc
Siam Commercial (Cayman) Gtd. Fltg. Rate Notes due 1984 $64.73
Do. Rate Notes due 1984 US$64.73
Spencer (George) 4pcPf. 2pc
Treasury Stk. 11½pc 2001-04 5¾pc
UC Invts. 105 cts.
Union Discount of London 14p

FRIDAY, MARCH 20

COMPANY MEETINGS—
Brunner Inv. Tst., 20, Fenchurch Street, E.C., 12.45
Chester Waterworks, Aqua House, 45, Boughton, Chester, 4.00
Glasgow Stockholders Tst., Ashley House, 181-195, West George Street, Glasgow, 12.00
Trust of Property Shares, Park House, 16, Finsbury Circus, E.C., 12.00

DIVIDEND & INTEREST PAYMENTS—
Associated Communications Cpn. A 1.5p
Chester Waterworks 4.2pc (fmly. 6pc) Max. 2.1pc
Do. 3.15pc (fmly. 4½pc) Pf. 1.575pc
Do. 3.15pc (fmly. 4½pc) Pf. 1979-84 1.575pc
Do. 4.55pc (fmly. 6½pc) Red. Pf. 1983-1985 2.275pc
Do. 3.85pc (fmly. 5½pc) Red. Pf. 1983-1988 1.925pc
Daejan 1.225p
Fitzwilton £Ir. 0.002
M. and G. American and General Fd. Inc. 0.73p
M. and G. Magnum Fund Inc. 6.5p
Pfizer Inc. 40 cts.
Watson and Philip 2p

SATURDAY, MARCH 21

DIVIDEND & INTEREST PAYMENTS—
Glasgow Stockholders Tst. 2.5p
Do. 5pcPf. 1.75pc

SUNDAY, MARCH 22

DIVIDEND & INTEREST PAYMENTS—
Exchequer Stk. 9¼pc 1982 4⅝pc
Do. 13½pc 1992 6¾pc

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	International Engineering Inspection and Quality Control Exhibition—INSPEX (01-643 8040) (until March 20)	NEC, Birmingham
Mar. 17-19	Drawing Office Show—DOMMDA (01-242 3621)	Wembley Conference Centre
Mar. 19-27	Foundry International Exhibition (0737 68611)	NEC, Birmingham
Mar. 20-29	Camping and Outdoor Leisure Exhibition (01-262 2886)	Battersea Park
Mar. 22-25	Careers 81 Exhibition (01-464 4129)	Royal Horticultural Halls, London
Mar. 22-26	British Exhibition of Fine Jewellery and Sterling Silver (01-493 7628)	Goldsmiths' Hall
Mar. 29-Apr. 1	Fashion Fabrics Exhibition (01-385 1200)	Olympia
Mar. 30-Apr. 1	Numerical Control Equipment Exhibition and Conference (01-579 9411)	Wembley Conf. Centre
Apr. 5-8	Glass and Glass Technology Exhibition—GLASSEX (0378 77966)	NEC, Birmingham
Apr. 7-9	Business Show (0272 312850)	Guildhall, Plymouth
Apr. 8-9	EIA Engineering Exhibition—ENGEX (0403 69390)	Sandown Park, Esher
Apr. 9-19	Evening News Ideal Homes Exhibition (031 556 5080)	Ingliston Showg'd, Edinburgh
Apr. 12-13	British Pet Industry Exhibition (0223 36656)	Exhibition Centre, Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Travel and Vacation Exhibition (01-486 1951) (until March 17)	Helsinki
Current	Boats, Sports and Recreation Exhibition—BSF (01-540 1101) (until March 22)	Berlin
Current	International Spring Fair (01-493 3111) (until March 21)	Leipzig
Mar. 18-22	Garden Equipment Exhibition (01-236 0911)	Stuttgart
Mar. 23-27	International Hospital Equipment Exhibition—MEDICA (01-489 1951)	Utrecht
Mar. 24-27	International Computing Exhibition—COMPUTEX (Dublin 763871)	Dublin
Mar. 30-Apr. 4	International Water Supply Fair (01-540 1101)	Berlin
Apr. 1-12	Spring Fair (01-935 8200)	Jeddah
Apr. 4-8	International Exhibition of Women's Ready-Made Clothing and Boutique (01-439 3964)	Paris
Apr. 6-10	Instruments and Measurements Exhibition (01-874 6034)	Stockholm
Apr. 7-11	International Food Fair, Hotel, Restaurant and Catering Fair and Food Technical Exhibition (01-540 1101)	Copenhagen
Apr. 7-10	World Fabric Fair (01-961 6969)	Geneva
Apr. 8-15	Audio Visual Communication Exhibition—MEDIA-VISIE (01-486 1951)	Utrecht

BUSINESS AND MANAGEMENT CONFERENCES

Mar. 16	The City University: The Banking and financial activities of the City of London (01-606 1807)	Gresham College, EC2
Mar. 16-17	MSS: Appreciation of Systems Analysis and Design (0903 34755)	Worthing
Mar. 17-19	Interbuild: The International Fish Farming Conference and Exhibition (0273 775432)	Metropole Centre, Brighton
Mar. 19	IPS: Importing—success and disaster (0990 23711)	New Berners Hotel, London
Mar. 23-25	The Textile Institute: The Fabric Revolution (061-834 8457)	York University
Mar. 24	Institute of Directors: Leading the Recovery—the Responsibility is Ours (01-839 1233)	Pall Mall, SW1
Mar. 24-25	Charles Simeons Conferences: Improving management control (0582 30965)	St. Ermins Hotel, SW1
Mar. 24	Oyez-IBC: The 1981 Television Planning, Buying and Selling seminar (01-242 2481)	The Princess Anne Theatre W1
Mar. 24-27	Strathclyde University: Health Education and the Media (041-552 4400)	Edinburgh
Mar. 25	British Franchise Association: How to Franchise a Successful Business (0753 653546)	Café Royal, W1
Mar. 25	FT Conference: South Australia — Resources Development Symposium (01-621 1355)	Grosvenor House, W1
Mar. 25-26	AODC: Underwater Engineering Symposium (01-549 5831)	Aberdeen
Mar. 25-26	FT Conference: Investment in Canada's Resource Development (01-621 1355)	Toronto
Mar. 26	The Institution of Mechanical Engineers: Fluid Machinery for the Oil, Petro-Chemical and Related Industries (01-222 7899)	The Hague
Mar. 31	Oyez: Performance Bonds and Guarantees: The Perils for Bankers and Insurers (01-242 2481)	Royal Lancaster Hotel, W2
Apr. 1-2	National Engineering Laboratory: Seminar on CAD/CAM systems in mechanical engineering (03552 20222)	East Kilbride
Apr. 6-20	MSS Computer and Business Consultancy: O and M in Computer Environment (0903 34755)	Worthing

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Japanese finance firm seeks protection

By Richard C. Hanson in Tokyo

OSAKA SHOKEN SHINYO, an Osaka-based securities finance company, disclosed over the weekend that it is on the verge of bankruptcy, with debts estimated at Y70bn-Y100bn ($337m-$480m). The bankruptcy would be among the largest in Japan's post-war history.

Details of the company's precarious financial conditions are expected to be made public today when it files in Osaka District Court for protection under the Corporate Rehabilitation Acts.

Osaka Shoken Shinyo is believed to have borrowed heavily from banks in order to finance its own business of lending to stock market investors. At least one foreign bank is understood to be involved.

According to Japanese Press reports, the company, whose own paid up capital is a modest Y100m ($48m), has been lending large sums to groups of investors whose speculative activities in the Tokyo stock market are at present under close scrutiny by the authorities.

Strong upsurge for UOB

By Georgie Lee in Singapore

UNITED OVERSEAS BANK (UOB), has reported a strong year's upsurge in earnings. Group post-tax profit after providing for diminution in assets and allocations to contingency reserve increased 76 per cent to S$92.3m (U.S.$44m) in the year to December. The profit of the parent bank grow by 52 per cent to S$57.85m.

UOB has proposed a final gross dividend of 9 per cent, making a total of 15 per cent on its enlarged capital of S$255.3m.

Poor paper demand keeps MoDo earnings in check

BY VICTOR KAYFETZ IN STOCKHOLM

MODO, the Swedish timber and paper group, reports marginally improved pre-tax profits for 1980. Household paper and pulp yielded higher earnings and losses from sale of wood-handling machinery were reduced, but this was counterbalanced by sagging second-half demand for fine paper.

Consolidated earnings were SKr 281m ($61m), against SKr 273m in 1979. Sales climbed nearly 23 per cent to SKr 3.8bn ($824m). The proposed dividend is SKr 7.50 per share, compared with SKr 7.

Operating profit declined from SKr 425m to SKr 423m, but outweighing this was an improvement in net financial items from a deficit of SKr 152m to SKr 142m. Stock gains accounted for SKr 91m of last year's operating earnings, down from SKr 116m in 1979.

MoDoCell, the pulp subsidiary, lifted operating earnings from SKr 304m to SKr 316m. The market for pulp was strong throughout 1980.

MoDoPaper, the paper subsidiary, saw operating earnings slide from Skr 156m to Sk 102m as weaker demand for fine paper during the summer forced prices down. MoDo's consumer products company more than doubled its operating profit from Skr 23m to Skr 57m as European demand for household, and sanitary paper improved.

ModoMekan, maker of machinery, cut its operating loss from Skr 16m to Skr 8m while Stille-Werner, which makes surgical and medical equipment, moved slightly into the black.

The preliminary report foresees higher demand for pulp and fine paper in the second half of this year, but emphasises that significant price increases are needed to compensate for higher costs.

MacMillan chief criticises bid

BY OUR FINANCIAL STAFF

MR. CALVERT KNUDSEN, chairman of MacMillan Bloedel, said over the weekend that British Columbia Resources Investment Corporation ought to raise its bid for some 29 per cent of his company from C$46 a share to at least C$70. He said his valuation of MacMillan's shares was based on price-earnings ratios for comparable groups in the U.S. Before the bid, MacMillan shares were trading at around C$40.

The MacMillan chairman, emphasising that he was speaking in a personal capacity and not for the board as a whole, said the bid from BCRIC was unwelcome, and suggested that he would not view a competing bid any more favourably. The situation will be reviewed by the MacMillan board on March 23.

BCRIC is bidding C$285m ($238m) for 6.2m shares in MacMillan Bloedel and if successful would be increasing its holding from 20 to 49 per cent in the company, Canada's biggest forest products group.

Swire air offshoot ahead

BY ADRIAN BOVEN IN HONG KONG

THE HONG KONG Aircraft Engineering Company, an aircraft servicing subsidiary of the Swire Group, yesterday reported after-tax profits for 1980 of HK$43m (US$8.13m), a rise of 11 per cent on 1979's HK$38.7m.

The final dividend was set at 35 cents a share, making a total for the year of 50 cents, 10.7 per cent above the previous year after adjusting for a 2 for 1 stock split, a 5 for 2 bonus issue, and a 1 for 4 HK$80m rights issue last year.

The results show a considerable improvement on the company's performance six months ago, when interim profits were down 23 per cent to HK$17.3m. Mr. Duncan Bluck, the chairman, attributed the recovery to reduced interim costs after the proceeds of the rights issue were used to alleviate the company's debt burden, and to wider profit margins in the second half.

Saga Petrokjemi reduces loss

By Fay Gjester in Oslo

SAGA PETROKJEMI, petrochemical offshoot of Norway's Saga Petroleum, suffered a loss of NKr 38m in 1980 after depreciation and financial costs. This compares with a NKr 78m loss in 1979.

The recession hit demand and prices for plastic raw materials produced by two plants at Rafnes, eastern Norway, in which Saga is in partnership with Norsk Hydro and Statoil,

PENDING DIVIDENDS

	Date	Announcement last year
*Armstrong Equipment	Mar. 25	Int. 1.011
Assoc. Biscuit	Apr. 10	Final 2.44
Aurora	Apr. 10	Final 4.61
*BICC	Apr. 8	Final 5.82
*BSR	Mar. 18	Final 1.413
Babcock Intl	Apr. 3	Final 3.6
*Barratt Devs	Mar. 17	Int. 3.5
*Bejam	Mar. 18	Int. 1.0
Bell (A.)	Mar. 27	Int. 2.12
Berkeley Hambro	Apr. 2	Final 3.0
Booker McConnell	Mar. 31	Final 7.5
*Bowater	Apr. 9	Final 7.25
Brooke Bond	Mar. 18	Int. 1.25
*Cadbury Schweppes	Mar. 19	Final 2.9
Cape Inds	Apr. 1	Final 7.3
Coates Bros	Mar. 27	Final 2.12
Comb. Eng. Stores	Mar. 31	Final 1.86
Croda Intl.	Apr. 9	Final 1.6
Expanded Metal	Mar. 25	Final 2.5
*Fairclough Constr.	Mar. 17	Final 2.35
Freemans SW8	Mar. 31	Final 2.0
GRE	Apr. 9	Final 8.5
Gill & Duffus	Apr. 9	Final 4.0
Glynwed	Mar. 31	Final 6.7
*Guest Keen	Mar. 18	Final 13.554
Harris Queensway	Apr. 2	Final 4.0
*Hepworth Ceramic	Mar. 19	Final 2.75
Hepw'th (J.)	Apr. 3	Int. 0.78
Hewden-Stuart	Apr. 10	Final 0.95
*House of Fraser	Apr. 23	Final 4.0
*Ibstock Johnsen	Mar. 27	Final 3.0
*IMI	Mar. 19	Final 2.5
KCA Intl.	Apr. 10	Final 2.5
*Kleinwort Benson	Mar. 26	Final 4.9
Legal and General	Mar. 26	Final 5.0
*Lex Service	Mar. 19	Final 4.2
London Brick	Apr. 3	Final 2.632
*Low and Bonar	Mar. 26	Final 9.5
Ladbroke	Apr. 10	Final 6.05
*Lead Inds.	Apr. 9	Final 5.96
*Lucas Inds.	Mar. 26	Int. 2.6
*Midland Bk.	Mar. 20	Final 12.4
Ocean Transport	Mar. 31	Final 4.6
Peachey Prop.	Apr. 2	Int. 1.5
Pearl Assurance	Apr. 8	Final 12.0
Philips' Lamps	Mar. 20	Final Fl 1.20
Phoenix Assurance	Apr. 2	Final 7.5
*Prudential Corpn.	Mar. 25	Final 6.0
Reckitt and Colman	Mar. 25	Final 5.0
Reed (Austin)	Mar. 27	Final 2.46
Rockware	Mar. 31	Final 4.32
Samuel Props.	Mar. 27	Int. 1.1
*Scottish Metropltn.	Apr. 7	Int. 1.25
*Slough Estates	Mar. 25	Final 1.4
*Smith and Nephew	Mar. 24	Final 2.4
*STC	Mar. 20	Final 6.0
*Sun Alliance	Apr. 1	Final 14.5
Taylor Woodrow	Apr. 10	Final 10.157
*Tilling (T.)	Mar. 18	Final 4.0
Tricentrol	Mar. 20	Final 4.2
Union Corp.	Feb. 18	Final 43c
*United Newspapers	Mar. 24	Final 15.0
Weir	Mar. 19	Final nil
*Wolseley-Hughes	Mar. 19	Int. 4.4

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

CORAL INDEX: Close 475-480 (−4)

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (951-548 6555)	13¼	½-year	1,000	5-7
Redbridge (01-478 3020)	13¼	½-year	200	6

Public Works Loan Board rates

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Effective from March 14						
Up to 5	12¾	12¾	13	13⅝	13⅝	13⅞
Over 5, up to 10	13	13⅜	13½	13⅞	13⅞	14¼
Over 10, up to 15	13⅝	13¾	14	14¼	14⅜	14½
Over 15, up to 25	13¾	14	14	14⅜	14½	14⅝
Over 25	14	14	14	14½	14½	14½

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

BASE LENDING RATES

A.B.N. Bank 12 %	■ Hambros Bank 12 %
Allied Irish Bank 12 %	■ Hill, Samuel §12 %
American Express Bk. 14 %	C. Hoare & Co. †12 %
Amro Bank 12 %	Hongkong & Shanghai 12 %
Henry Ansbacher 12 %	Keyser Ullmann 12 %
AP Bank Ltd. 12 %	Knowsley & Co. Ltd. 14 %
■ Arbuthnot Latham 12 %	Langris Trust Ltd. 12 %
Associates Cap. Corp. 14 %	Lloyds Bank 12 %
Banco de Bilbao 12 %	Mallinhall Limited 12 %
BCCI 12 %	Edwards Manson & Co. 15 %
Bank of Cyprus 12 %	Midland Bank 12 %
Bank of N.S.W. 12 %	■ Samuel Montagu 12 %
Banque Belge Ltd. 12 %	■ Morgan Grenfell 12 %
Banque du Rhone et de la Tamise S.A. 12½%	National Westminster 12 %
Barclays Bank 12 %	Norwich General Trust 12 %
Beneficial Trust Ltd. 13 %	P. S. Refson & Co. 12 %
Bremar Holdings Ltd. 13 %	Rossminster 12 %
Brit. Bank of Mid. East 12 %	Ryl. Bk. Canada (Ldn.) 12 %
■ Brown Shipley 13 %	Slavenburg's Bank 12 %
Canada Perm't Trust 13 %	E. S. Schwab 13 %
Cayzer Ltd. 12 %	Standard Chartered ‖12 %
Cedar Holdings 14 %	Trade Dev. Bank 12 %
■ Charterhouse Japhet 12 %	Trustee Savings Bank 12 %
Choulartons 14 %	TCB Ltd. 12 %
C. E. Coates 12 %	United Bank of Kuwait 12 %
Consolidated Credits 14 %	Whiteaway Laidlaw 12½%
Co-operative Bank *12 %	Williams & Glyn's 12 %
Corinthian Secs. 12 %	Wintrust Secs. Ltd. 12 %
The Cyprus Popular Bk. 14 %	Yorkshire Bank 12 %
Duncan Lawrie 12 %	
Eagil Trust 12 %	
E. T. Trust Limited 14 %	
First Nat. Fin. Corp. 16½%	
First Nat. Secs. Ltd. 16 %	
Robert Fraser 12 %	
Antony Gibbs 12 %	
Greyhound Guaranty 12 %	
Grindlays Bank ‡12 %	
■ Guinness Mahon 12 %	

■ Members of the Accepting Houses Committee.
* 7-day deposit 9%, 1-month 9¼%. Short term £4,000/12 months 13.35% (no change).
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¼%, and over £50,000 10½%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.

CURRENCIES, MONEY and GOLD

Paving the way

BY COLIN MILLHAM

THE PATH to monetary base control is paved with several doubts as far as the Bank of England is concerned, not least the possible vulnerability of the discount houses to the end of the reserve asset system.

Until recently banks were required to keep at least 12½ per cent of their eligible liabilities in certain monetary instruments—including money at call with the discount houses—in which the houses are the major market makers. The reserve asset ratio has now been cut to 8 per cent, and along with the administration of Minimum Lending Rate, will presumably disappear

This could spell disaster for the discount market, although as the Bank of England pointed out last week there is no way of telling how the commercial banks would react given total freedom, and whether the call money upon which the houses depend would be immediately withdrawn and redeployed.

Apart from the fact that the authorities obviously prefer a system where there is a buffer between themselves and the major commercial banks, the discount houses have also been given a key role in the evolving system of monetary management. The houses are the main market makers in bills, and although the Treasury bill has recently declined in importance, the commercial bank bill has already taken up a central position in the system, and will play a leading role in the control of interest rates by the authorities.

The houses can hardly be left in this key position without the monetary equipment to fulfil their role, therefore the Bank of England is now looking at a system where the list of names on bank bills eligible for discount will be increased to include foreign banks. But these will probably have to make available a specified minimum level of funds to the discount houses.

It is certainly true at present that the market needs more eligible bills to carry out its function, because recent shortages of credit had to be relieved by some lending of funds to the houses following payments of petroleum revenue tax and heavy gilt-edged sales. Official lending last Thursday was at a level above the current MLR rate, but unlike previous occasions when this has happened there was no signal in the action by the authorities. It was simply an underlining of the present policy, where houses can expect to balance their books at the going market rate.

THE POUND SPOT AND FORWARD

March 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2140-2.2255	2.2180-2.2190	0.45-0.55c dis	−2.70	1.45-1.55dis	−2.70
Canada	2.6440-2.6560	2.6455-2.6465	0.88-0.98c dis	−4.22	2.53-2.68dis	−3.94
Nethlnd.	5.17-5.21	5.17½-5.18½	1½-½c pm	2.32	3-2 pm	1.93
Belgium	76.55-77.05	76.70-76.80	5c pm-5 dis	—	12-22 dis	−0.88
Denmark	14.69-14.78	14.69-14.70	⅞ore pm-⅞ dis	—	2¾-4½ dis	−0.99
Ireland	1.2800-1.2880	1.2835-1.2845	0.03p pm-0.13dis	−0.47	0.34-0.52dis	−1.34
W. Ger.	4.67-4.70½	4.67½-4.68½	1pf pm-par	1.28	1½-½ pm	0.85
Portugal	125.40-126.10	125.45-125.65	20c pm-55 dis	−1.67	35pm-155ds	−1.91
Spain	190.00-191.10	190.10-190.30	15c pm-25 dis	−0.31	75-120 dis	−2.05
Italy	2,270-2,279	2,271-2,273	7-9 lire dis	−4.22	28¼-31¾ dis	−5.24
Norway	11.95-12.10	11.95¾-11.96¾	1ore pm-½ dis	0.25	2⅞-1⅛ pm	0.67
France	11.03-11.08	11.03-11.04	2⅜-1⅛c pm	1.77	2⅜-1¼ pm	0.63
Sweden	10.23-10.27	10.23-10.24	3½-4½ore dis	−4.62	9⅞-10⅞ dis	−4.05
Japan	459-463	460½-461½	2.40-1.85y pm	5.53	5.65-5.15 pm	4.68
Austria	33.10-33.30	33.10-33.15	8-3½gro pm	2.08	14½-5 pm	1.18
Switz.	4.26½-4.31	4.27¼-4.28¼	2¾-1¾c pm	5.61	6-5 pm	5.14

Belgian rate is for convertible francs. Financial franc 78.85-78.95. Six-month forward dollar 2.95-3.05c dis, 12-month 5.50-5.80c dis.

THE DOLLAR SPOT AND FORWARD

March 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2140-2.2255	2.2180-2.2190	0.45-0.55c dis	−2.70	1.45-1.55dis	−2.70
Ireland†	1.7250-1.7300	1.7260-1.7290	0.25-0.40c dis	−2.25	0.50-0.65dis	−1.33
Canada	1.1928-1.1953	1.1928-1.1931	0.16-0.21c dis	−1.86	0.33-0.38dis	−1.19
Nethlnd.	2.3340-2.3390	2.3370-2.3380	1.13-1.03c pm	5.54	2.82-2.72 pm	4.74
Belgium	34.56-34.84	34.58-34.60	9½-8c pm	3.04	17-14 pm	1.79
Denmark	6.6250-6.6500	6.6275-6.6300	1.60-1.10ore pm	2.44	2.85-2.35 pm	1.57
W. Ger.	2.1075-2.1130	2.1085-2.1095	0.70-0.62pf pm	3.75	1.85-1.75 pm	3.41
Portugal	56.55-56.90	56.55-56.70	20c pm-10 dis	1.06	50 pm-30 dis	0.71
Spain	85.85-86.00	85.86-85.96	25c pm-par	1.75	10 pm-20dis	−0.23
Italy	1,023-1,025	1,024-1,025	1-1¾ lire dis	−1.61	6-7 dis	−2.54
Norway	5.3890-5.4000	5.3970-5.4000	1.70-1.20ore pm	3.22	4.70-4.20 pm	3.30
France	4.9720-4.9830	4.9775-4.9825	2.08-1.98c pm	4.89	4.25-4.05 pm	3.34
Sweden	4.6100-4.6220	4.6100-4.6125	0.30-0.45ore dis	−0.97	1.30-1.45dis	−1.19
Japan	207.00-208.00	207.70-207.80	1.30-1.15y pm	7.07	3.85-3.70 pm	7.27
Austria	14.93-14.98	14.94¾-14.95¼	6.70-5.40gro pm	4.86	16.00-12.50pm	3.81
Switz.	1.9220-1.9365	1.9270-1.9280	1.45-1.35c pm	8.71	3.43-3.33 pm	7.01

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	Mar. 13		Mar. 12	
Gold Bullion (fine ounce)				
Close	$491-494	(£221¼-222½)	$475-478	(£214¼-215½)
Opening	$485-489	(£218½-220)	$476-479	(£214¾-216)
Morning fixing	$492	(£221.522)	$477.50	(£215.352)
Afternoon fixing	$492	(£221.572)	$478	(£215.461)
Gold Coins				
Krugerrand	$508-509½	(£229-229½)	$491½-493	(£221½-222)
1/2 Krugerrand	$261-263	(£117½-118½)	$252-254	(£113½-114½)
1/4 Krugerrand	$133-135	(£60-60¾)	$128½-130½	(£57¾-58¾)
1/10 Krugerrand	$56-57	(£25¼-25¾)	$53-55	(£23¾-24¾)
Mapleleaf	$503-504½	(£226¾-227¼)	$487½-489	(£219½-220¼)
New Sovereigns	$123¼-124¼	(£55½-56)	$119½-120½	(£53¾-54¼)
King Sovereigns	$142-144	(£64-65)	$138½-140½	(£62½-63½)
Victoria Sovs	$142-144	(£64-65)	$138½-140½	(£62½-63½)
French 20s	$170-173	(£76½-78)	$173-176	(£78-79½)
50 pesos Mexico	$610-615	(£275-277)	$593-597	(£267-269)
100 Cor. Austria	$476-481	(£214½-216½)	$462-466	(£208-210)
$20 Eagles	$607-612	(£273½-275¾)	$600-604	(£270¼-272)

OTHER CURRENCIES

Mar. 13	£	$		£ Note Rates
Argentina Peso	5169-5189	2328-2338	Austria	32.90-33.30
Australia Dollar	1.9115-1.9135	0.8600-0.8605	Belgium	78.60-79.40
Brazil Cruzeiro	161.99-162.99	73.01-73.38	Denmark	14.68-14.83
Finland Markka	9.07-9.08	4.0650-4.0670	France	11.00-11.10
Greek Drachma	112.862-114.886	51.35-51.45	Germany	4.67-4.71½
Hong Kong Dollar	11.74-11.76	5.2890-5.2940	Italy	2260-2350
Iran Rial	166.70*	75.00*	Japan	461-466
Kuwait Dinar(KD)	0.606-0.612	0.2740-0.2742	Netherlands	5.17-5.22
Luxembourg Frc.	76.70-76.80	34.58-34.60	Norway	11.94-12.06
Malaysia Dollar	5.0250-5.0350	2.2640-2.2670	Portugal	121½-125½
New Zealand Dlr	2.4120-2.4140	1.0855-1.0865	Spain	185-196½
Saudi Arab. Riyal	7.41-7.47	3.3495-3.3505	Sweden	10.20-10.30
Singapore Dollar	4.6650-4.6750	2.1020-2.1050	Switzerland	4.25-4.29½
Sth African Rand	1.7525-1.7545	0.7900-0.7910	United States	2.20¾-2.22¾
U.A.E. Dirham	8.13-8.19	3.6720-3.6730	Yugoslavia	74-79

Rate given for Argentina is free rate. * Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 13)

3 months U.S. dollars		6 months U.S. dollars	
bid 15 7/16	offer 15 9/16	bid 15 7/16	offer 15 9/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 13	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12¾-13	14½-14¾	16⅛-17⅛	10⅛-10⅜	3-3½	9¼-9½	11-11½	15½-17½	11-12	8-8½
7 days' notice	12¾-13	14⅝-14⅞	16⅛-17⅛	10⅛-10⅜	3½-4	10¼-10½	11-11½	16⅛-18⅛	11-12	8⅛-8⅝
Month	12⅞-13	14 11/16-15 1/16	16⅝-17	10¼-10½	7⅞-8	12-12⅛	11⅛-11⅝	17¼-18¼	12⅞-13	8¼-8½
Three months	12⅝-12⅞	15 1/16-15 5/16	16⅜-16¾	10 5/16-10⅞	8¼-8⅝	12 1/16-12 5/16	12-12¼	17⅝-18⅝	13⅝-13¾	7 11/16-8 1/16
Six months	12½-12¾	15⅛-15⅝	16-16⅜	10 5/16-10 9/16	8⅜-8½	11¾-11⅞	12⅝-12⅞	18-19	13⅝-13¾	7 9/16-8 1/16
One Year	12⅜-12⅝	14⅞-15⅛	15-15⅜	10 7/16-11	8-8⅛	11-11¼	13-13¼	18⅞-19⅞	13¾-13⅞	8-8¼

SDR linked deposits: one-month 12⅞-13⅛ per cent; three-months 13-13¼ per cent; six-months 12 15/16-13 3/16 per cent; one year 12 11/16-13 1/16 per cent.

Asian $ (closing rates in Singapore): one-month 15 5/16-15 7/16 per cent; three-months 15½-15⅝ per cent; six-months 15⅜-15½ per cent; one year 15⅛-15¼ per cent. Long-term Eurodollar two years 14¾-15¼ per cent; three years 14¾-15¼ per cent; four years 14¾-15¼ per cent; five years 14¾-15¼ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 14.80-14.90 per cent; three-months 14.95-15.05 per cent; six-months 14.85-14.95 per cent; one year 14.50-14.60 per cent.

LONDON MONEY RATES

Mar. 13 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	11½-13	12⅛-12¾	—	—	12	11½-12	—	—	—
2 days notice	—	—	13¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12¼-13¼	13¼	—	13⅛	13¼	12	—	—	—
One month	13-12⅞	12⅞-13	12¾-13	14⅛-14¼	13¼	13⅜	[illegible]	11⅞-11 15/16	12 1/16	13¼
Two months	12⅞-12 11/16	12 11/16-12⅝	—	13⅜-13	13⅛	13¼	[illegible]	12	12	13 3/16
Three months	12 9/16-12 7/16	12 9/16-12⅝	12¼-12⅝	13-12⅝	12⅛	13	-12	11⅝-11 15/16	11⅞	12 13/16
Six months	12½-12⅜	12 7/16-12⅜	12⅜	12⅝-12¼	12¾	13	—	—	11 15/16-11¼	11⅞
Nine months	12¼-12⅛	12¼-12 7/16	—	12⅜-12⅛	12 13/16	12⅞	—	—	—	—
One year	12¼-12⅛	12 5/16-12⅜	12½-13	12⅛-12¼	12⅝	12⅞	—	—	—	—
Two years	—	—	12½-13	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 12¾-13⅛ per cent; four years 13⅛-13⅜ per cent; five years 13¼-13⅜ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11¾-11 11/16 per cent; four-month trade bills 12¾ per cent.

Approximate selling rate for one-month Treasury bills 11 13/16-11¾ per cent; two-months 11⅞ per cent; three-months 11 9/16 per cent. Approximate selling rate for one-month bank bills 11 15/16 per cent; two-months 11⅞ per cent; three-months 11¾ per cent; one-month trade bills 13 per cent; two-months 12 15/16 per cent and three-months 12 7/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from March 1. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.6351 per cent.

CURRENCY RATES

Mar. 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.553809	0.542714
U.S. $	13	1.22724	1.20374
Canadian $	17.11	1.46397	1.43883
Austria Sch.	6¾	18.3472	17.9969
Belgium F.	12	42.5116	41.6734
Danish K.	11	8.15378	7.98681
D mark	7½	2.59291	2.54182
Guilder	9	2.86990	2.81374
French Fr.	9½	6.11286	5.99342
Lira	16½	1257.86	1232.93
Yen	7¼	254.775	250.137
Norwgn. Kr.	9	6.62219	6.49718
Spanish Pts.	8	105.377	103.401
Swedish Kr.	12	5.66494	5.56007
Swiss Fr.	4	2.37471	2.32805
Greek Dr'ch.	—	—	61.8561

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RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price p‡	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
150	F.P.	3/4	179	170	British Aerospace 50p	173	−2	b7.8	2.0	6.4	11.1
10	F.P.	27/3	16¼	13¾	*Crest Intl Scs. 10p	19¼	+½	—	—	—	—
100	F.P.	—	120	105	Cystic Fibr Inv Tst £1	116	+8	—	—	—	—
5§	F.P.	—	8	6½	*Dunton 5p	7	......	—	—	—	—
‖	F.P.	—	125	112	Eglington Oil & Gas	125	+10	—	—	—	—
75§	F.P.	—	105	88	Espley-Tyas Prop.	88	−2	b3.92	1.9	6.4	18.3
100	F.P.	13/3	118	95	New Darien Oil Trust	96	......	—	—	—	—
—	F.P.	—	57	44	Do. Warrants	57	+2	—	—	—	—
42	F.P.	13/5	45	38	Oil & Gas Production	38	−1	—	—	—	—
4.2	P.P.	13/5	9	7½	Do. ($0.01 pd.)	7½	......	—	—	—	—
§§	F.P.	—	14	12	*Parkfield Fndrs. 5p	12½	−½	0.88	6.4	10.4	2.1
81§	F.P.	16/2	106	96	Sonic Sound Audio 10p	98	−1	b4.48	1.9	6.5	9.5
100	F.P.	—	101	98	T. R. Energy	100	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980/81 High	1980/81 Low	Stock	Closing Price £	+ or −
¶100	£10	21/5	12½	11½	Bristol Water 8% Red. Pref '86	12½	......
77	F.P.	—	74	74	Cystic Fibrosis Res'ch In. Tst. 5% Deb. '86	74	......
‖	£20	27/3	22	20½	Iceland 14½% 016	21½	......
96	F.P.	24/7	112	103	Mid-Sussex Water 8% Pref. 1985	102½	......
‖	F.P.	—	169p	147p	Sterling Credit 8% Cnv. Red. Cum. Prf.	150p	−5
¶	£10	—	12½	12½	Sutton District Water 8% Pref.	12½	......
110½	Nil	—	11pm	7pm	Yorks Fine Wool 11% Cum. Red. Cnv. Prf.	7pm	−2

"RIGHTS" OFFERS

Issue Price p‡	Am'unt paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980/81 High	1980/81 Low	Stock	Closing prices p‡	+ or −
128 p	F.P.	27/2	27/3	128	115	Argyll Foods	130	......
154 p	F.P.	9/3	22/5	181	171	Assoc. Dairies	172	−4
$A9	Nil	—	—	245pm	175pm	Broken Hill Prop.	245pm	+2.5
60	F.P.	16/2	27/3	87	71	Nororos	84	+1
45p	F.P.	9/3	3/4	50	43	Paradise B.	43	−3
320	F.P.	23/1	20/3	390	330	Royal Insurance	373	−2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme. ‡‡ Units comprising 125 A Ord. & 8 12½% Cum. Pref.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

INSURANCE PROPERTY BONDS

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

Interest Due	Stock	Price £	Last xd	Yield Int.	Red.
[illegible]	Agric. Mt. 5pc '59-89	63	[illegible]	[illegible]	[illegible]
[illegible]	Alcan 10½pc '89-94	88	[illegible]	[illegible]	[illegible]
[illegible]	Met. Wtr. 3pc 'B'	28½	[illegible]	[illegible]	[illegible]
[illegible]	U.S.M.C. 9pc 1982	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	Do. without Warrants	[illegible]	[illegible]	[illegible]	[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PAPER, PRINTING ADVERTISING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PROPERTY—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHIPPING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SHOES AND LEATHER

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TEXTILES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOBACCOS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Finance, Land, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCE, LAND—Continued

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OIL AND GAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVERSEAS TRADERS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr.	Dec.	Do. 'A' N/V 10p	473	27.10	10.5	5.7	3.2	7.9
May	Nov.	Sime Darby M$0.5	84	13.10	†Q7.3c	2.6	3.2	12.8
Jan.	July	Steel Bros.	140	27.10	♦8.0	3.1	8.2	5.1
Jan.	June	Tozer Kems. 20p	50	10.11	4.77	3.2	13.6	2.8
Apr.	Oct.	Do. 8pc Ln. '91	£57	15.9	Q8%	227.3	18.5	—
May	June	U. City Merc. 10p	22	24.11	d2.4	2.4	9.3	6.5
Mar.	Sept.	Do. 10pc Ln. 16p	23	1.9	Q10%	80.4	18.1	—
Apr.	July	Warren Plants.	207	10.11	c10.0	2.7	6.9	6.8

RUBBERS AND SISALS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
August		Anglo-Indones'n	130	14.7	t3.33	3.2	4.0
Aug.	Nov.	Barlow Hldgs. 10p	122	29.9	3.0	1.1	3.5
Sept.		Bertam Cons. 10p	78	15.9	0.8	1.8	1.5
Feb.	July	Castlefield 10p	490	8.12	6.0	2.3	1.8
Apr.	Nov.	Cons. Plants M$0.5	49½xd	2.3	Q18c	2.2	7.4
January		Grand Central 10p	6½	1278	—	—	—
Apr.	July	Guthrie £1	750	9.2	30.0	1.1	5.7
May	Oct.	Harrisons Mly. Est. 10p	190xd	2.3	8.0	0.9	6.0
Nov.	May	Highlands M50c	54	15.9	hQ15c	1.2	6.4
Apr.	Nov.	Kuala Kepong M$1	117xd	2.3	Q25c	1.3	4.1
Jan	July	††Kulim M50c	57	13.12	Q12c	1.7	4.2
Aug.	Jan.	Ldn. Sumatra 10p	363	27.10	♦58.0	3.1	3.2
Dec.	June	Malakoff M$1	156	12.5	hQ10c	♦	1.2
Apr.	Oct.	Malay. Plants. M$1	70xd	2.3	Q18c	1.3	5.0
—		Rightwise 10p	158	—	—	—	—

TEAS

India and Bangladesh

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
August		Assam Dooars £1	225	8.12	6.0	0.4	3.8
November		Assam Frontier £1	200	13.10	10.0	2.3	7.1
November		Lawrie Plants £1	385	27.10	18.5	2.9	6.9
November		McLeod Russel £1	312	11.8	15.0	1.0	6.9
May	Nov.	Moran £1	275xd	2.3	‡8.0	0.8	‡
Apr.	Dec.	Williamson £1	203xd	2.3	12.5	♦	8.8

Sri Lanka

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Apr.	Dec.	Lunuva £1	390	10.11	†17.0	1.0	6.2

Africa

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Apr.	Oct.	Ruo Estates	60	25.2	1.0	♦	2.4

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MINES—Continued

Australian

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 50c	38	—	Q2.5c	—	3.5
—		ACM 20c	15	—	—	—	—
—		Argosy Gold NL 25c	14	—	—	—	—
—		Bond Corp.	152	—	Q7½c	1.9	2.5
Nov.	Apr.	Bougainville I Kina	89	7.3	Q26.2c	♦	15.3
—		CRA 50c	244	974	Q19c	♦	4.0
—		Canada Northwest	20	—	—	—	—
—		Carr Boyd 20c	22	—	—	—	—
—		Central Pacific	255	—	—	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Tins

Copper

Miscellaneous

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTES

[illegible]

REGIONAL MARKETS

[illegible]

OPTIONS

3-month Call Rates

[illegible]	[illegible]	[illegible]	[illegible]

"Recent Issues" and "Rights" Page 26

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security.

FINANCIAL TIMES
Monday March 16 1981

Hong Kong group plans £10m UK denim plant

BY RHYS DAVID

A BIG Hong Kong textile group, Yangtsekiang Garment Manufacturing (YGM), is expected to announce shortly plans for a denim fabric plant at Washington New Town, in north-east England.

The project which is likely to cost about £10m, has been under discussion for some time. A decision is now expected in the next month, after a visit to Britain next week by Mr. Samuel Chang, a senior director of the company.

The plans are the first big move by a Hong Kong group into textile and garment manufacturing in the UK — a market already heavily penetrated by exports from the Far East, including Hong Kong.

Partly because of these imports, UK production of both fabrics and garments has been falling steadily with a particularly severe drop last year under the added pressure of high sterling, high interest rates and weak demand.

Textile output was down by around 20 per cent, with clothing falling by around 10 per cent.

During his stay, Mr. Chang is expected to talk to City bankers and with officials from development bodies in the North East and the Department of Industry, which wil provide grants for the scheme.

YGM is understood to envisage a 10m-metre-a-year fabric operation—equivalent to the total output by Britain's sole domestic denim maker, Smith and Nephew. Output from the plant, which is expected to be completed late next year and to employ 300 people, will be used in jeans-making factories the group also proposes to set up. These could eventually employ 300 more people.

Though no details have been released it is believed YGM will work with Japanese and American partners. The U.S. company, itself a denim maker, will provide management expertise for the fabric operation, while YGM will market the finished gods in the UK and abroad.

YGM, a publicly-owned Hong Kong group with a substantial Chang family shareholding, has an annual turnover of £45m from its Far Eastern operations, and its separate European and American marketing companies contribute £25m more.

The group sells jeans in Europe under the Arnold Palmer and Arnie labels as well as a range of Arnold Palmer and Leroy shirts. Most of the company's merchandise is made in the Far East but some orders are now being placed with UK manufacturers.

The decision to manufacture in Europe is aimed partly at overcoming quota problems in some EEC markets.

World Trade News, Page 3

Nissan searching for top manager to run UK car plant

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

NISSAN, the Japanese Company which might set up a car plant in the UK, is looking for a high-powered British manager to get the project under way. But the manager will probably be recruited from outside the motor industry.

Some tentative feelers have already been put out indicating that Nissan is seeking a very senior executive who would be able to tackle negotiations with the unions, handle relations with the Government and supervise contacts with component manufacturers.

Nissan apparently feels, however, that it would be better for a manager to come from outside the motor industry so as to introduce a fresh approach.

The search will be inhibited somewhat by the fact that Nissan has by no means decided yet that it will go ahead and set up a manufacturing base in Britain.

Yet the very tight timetable Nissan has set itself for the feasibility study presently being carried out — it has promised the UK Government a decision by May or early in June—means that the group can waste no time in selecting its senior British manager.

The feasibility study reaches a new stage this week with the arrival from Japan yesterday of a small team of Nissan executives who will make initial contacts with UK component manufacturers. More detailed talks will follow next month.

Setting up the right kind of component supply lines ranks as top priority in Nissan's plans. If the group's investigations show this not to be possible, it will not go ahead in Britain.

Members of another Nissan team in London last week to meet Department of Industry officials and trade union representatives went back to Japan to study details of several potential 800-acre sites for the plant drawn up by consultants McKinsey and Co.

A short list will be compiled and only sites on that list will be visited. Nissan will almost certainly give details early in April of the handful of sites to be investigated more thoroughly.

Civil servants to boost action

BY JOHN LLOYD, LABOUR CORRESPONDENT

CIVIL SERVICE unions forecast yesterday that disruption in the second week of selective action to back their 15 per cent pay claim will greatly exceed the first.

Customs and excise staff at the country's port and airports are expected to come out today, and probably at other times in the week. A full programme of the planned disruption, possibly involving the Department of Health and Social Security and the courts, will be announced today.

The all-out strike by 1,000 staff at the Inland Revenue computer centres at Cumbernauld in Scotland and Shipley, Yorks., will mean that an estimated £1.5bn in income tax and £350m in value added tax contributions due this week will not be collected.

The coming week is one in whic income tax and VAT collections are particularly heavy, so action is expected to bite more severely than in the past week.

The Inland Revenue has appealed to employers to send PAYE and National Insurance contributions to tax offices as normal.

The Inland Revenue Staffs' Federation, which organises the workers in the centres, is trying to ensure that contributions do not reach the centre via the banks or the post offices.

Mr. Bill Kendall, secretary general of the Council of Civil Service Unions, said last night that the action in the computer centres was particularly important. "I am hoping it puts some leverage on the Government," he said.

However, Mr. Kendall said there had been no Government moves on a new initiative which might get talks started again. This was confirmed by the Civil Service Department.

The Department also played down suggestions that the Government would begin large-scale suspensions of civil servants taking industrial action. Last week, an estimated 100,000 civil servants struck after four junior clerical Customs and Excise workers in Liverpool were threatened with suspension.

This threatened action has now been lifted, following discussions between the unions and management at the weekend.

U.S. plans $126m civilian aid to Salvador economy

BY HUGH O'SHAUGHNESSY IN SAN SALVADOR

THE U.S. plans an emergency transfusion of $126.5m (£57m) in civilian aid to El Salvador.

Washington will mount a big effort to convince the often sceptical international financial organisations of the need of urgent cash transfers to the Salvadorean Government.

As El Salvador's economy totters under the strain of civil war, the Government of President José Napoleon Duarte estimates it will need some US$260m in urgent foreign assistance to survive this year without a very serious foreign exchange crisis.

Washington's efforts to prop up the civilian economy are seen in San Salvador as at least as important as and a good deal more costly than U.S. military assistance.

The depth of Sr. Duarte's need for economic aid is shown by the size of the fall in gross national product last year, which is variously estimated at between 8.7 and 17 per cent.

Things have clearly got worse in the first months of this year, and the Central Bank's foreign reserves are depleted.

The emergency U.S. aid is in two parts. First, there is $63m already provisionally destined for the Salvadorean Government in the 12 months to September 31.

Disbursement of this is to be speeded. According to U.S. officials this money will be spent in Salvador even if it has to be deducted from funds committed to other countries, and if the conditions attached to the aid are not fully observed by the Salvadorean authorities.

Second, the Reagan Administration has high hopes of pushing through Congress a further $63.5m in new aid.

The aim is to prevent even further popular disaffection from the Duarte ruling junta by propping up a stumbling and demoralised private sector, and halting rocketing unemployment, estimated at about 20 per cent.

Washington is using all its persuasive powers to enlist the help of the International Monetary Fund and the World Bank.

Salvador was counting on some $80m this year from the Fund's ordinary resources, or from the Compensatory Finance Fund, which makes up temporary shortfalls in member-countries' earning from exports.

The stumbling block is the fact that El Salvador will go against IMF orthodoxy to fend off the country's economic problems. The 1981 budget deficit is expected to reach 225m colones (£41m), a massive amount for this small country, which compares with surpluses of 10m and 28m colones in 1979 and 1980.

The Salvadorean Government will mainly print money to cover this deficit. Nor until the harvests are completed will there be any firm indication of how much Salvador could call on from Compensatory Finance Fund.

The World Bank is in equal difficulties in regard to the Duarte Government, and has halted most of its disbursements, as it cannot monitor spending of its funds under the present war conditions.

Washington will seek what it regards as more understanding of Senor Duarte's difficulties from the Bank and the Fund and a quick response to his need for cash. Officials admit however that President Ronald Reagan's own scepticism toward the big international financial institutions is hardly likely to help them in their dealings with decision-makers at the Bank and the Fund.

John Wyles writes from Brussels: The EEC will finally unblock humanitarian aid to El Salvador today after receiving Red Cross guarantees that the aid will reach the needy, rather than forces fighting the civil war. It will give the Red Cross £208,000 to buy food for 150,000 displaced people and send 450 tonnes of maize, 330 of rice and 100 of skimmed milk, worth £170,000-£200,000.

EEC insurance freedom sought

BY JOHN WYLES IN BRUSSELS

THE UK Government is to launch a campaign today to open the EEC insurance market to competition across frontiers.

Sir Geoffrey Howe, the Chancellor, will urge fellow Economic and Finance Ministers at a meeting in Brussels to revive attempts to reach agreement on a draft directive which would provide this freedom for non-life insurance services.

The directive was tabled by the European Commission in 1975 and has been languishing in the Council of Ministers working group machinery since.

It has foundered on the fears that several member states have about the result of opening their domestic markets to competition from abroad, particularly the UK.

The opportunities offered by such freedom to sell insurance across frontiers are particularly exciting to a British Government anxious to make EEC membership appear a more obvious political and commercial success.

Ministers have placed adoption of this draft directive at the top of their list of priorities when the British occupy the EEC presidency in the second half of this year.

The Netherlands Government is the most sympathetic and, as current Council of Ministers president, has helped put the item on today's agenda.

Sir Geoffrey hopes his colleagues will agree on the need for a new display of political will on the question and set about drawing up a more definite timetable for discussing and adopting the directive.

He is expected to argue that Article 9 of the Treaty of Rome obliges the council to remove obstacles to the freedom of insurance services. He may add that competition within the EEC could only strengthen its insurance sector and help it deal with international competition, particularly from Japan.

The argument over the directive is snagged by difficult issues. The UK has not yet ratified opinion to its view that the EEC's adoption in 1973 of a directive establishing freedom to set up non-life businesses means there is no real need for additional regulations governing the authorisation and supervision of Community-wide risk insurance.

Other member states, notably West Germany, Belgium and Italy, want the authorities of the country in which the risk is insured to have rights of authorisation.

A further source of dispute is the question of how many items of compulsory insurance should be excluded. There is no argument about vehicle liability, but the list of compulsory items which Germany wants excluded is too long for the British and Dutch.

The question of tax has emerged as of singular importance to France, whose Exchequer obtains 1.6 per cent of its tax revenue from insurance premiums.

Weather

UK TODAY

Generally cold with showers in most areas.

London and Midlands
Sunny intervals, occasional showers. Max. 9C (48F).

S. E. England and E. Anglia
Mainly cloudy with sunny intervals, occasional showers. Max. 7C (45F).

N. E. England and N. Scotland
Sunny intervals, showers, Max. 6C (43F).

Rest of UK including Channel Is. and Isel of Man
Sunny periods, scattered showers. Max 9C (48F).

Outlook: Wintry showers and sunny intervals. Generally cold with overnight frost.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	16	61	L. Ang.†	S	10	50
Algiers	F	18	64	Luxmbg.	C	7	45
Amsdm	R	6	43	Luxor	S	31	88
Athens	S	17	63	Madrid	F	12	54
Bahrain	S	27	81	Majorca	F	16	61
Barclna	R	11	52	Malaga	F	19	66
Beirut	S	19	66	Malta	S	19	66
Belfast	C	7	45	M'chstr.	C	6	43
Belgrd.	S	16	61	Mex. C.†		—	—
Berlin	R	7	45	Miami†	F	18	64
Biarritz	C	11	52	Milan	C	11	52
Bmghm.	C	8	46	Montrl.†	C	−5	23
Blackpl.	C	5	41	M'scow	Sn	−7	19
Bordx.	F	11	52	Munich	F	10	50
Boulgn.	R	6	43	Nairobi	C	26	79
Bristol	F	8	46	Naples	R	13	55
Brussels	F	9	48	Nassau		—	—
Budpst.	C	12	54	Nwcstl.	F	8	46
Cairo	C	26	79	N York†	S	1	34
Cardiff	F	10	50	Nice	C	13	55
Cas'b'ca	C	17	63	Nicosia	S	20	68
Cape T.	S	21	70	Oporto	S	12	54
Chicg.†	S	2	36	Oslo	C	−6	21
Cologne	C	9	48	Paris	C	9	48
Cpnhgn.	C	−3	27	Perth	C	35	95
Corfu	F	16	61	Prague	F	9	48
Denver†	S	1	34	Rykjvk.	Sn	1	34
Dublin	F	9	48	Rhodes	S	19	66
Dbrvnk.	F	16	61	Rio J'o†		—	—
Ednbgh.	F	9	48	Rome	C	15	59
Faro	S	17	63	Salzbrg.	F	10	50
Florence	C	15	59	S'cisco†		—	—
Frankft.	F	9	48	C. M'ritz		—	—
Funchal	S	19	66	Singapr.	F	32	90
Geneva	C	8	46	S'tiago†		—	—
Gibrltr.	F	20	68	Stckhm.	S	−15	5
Gl'sg'w	F	8	46	Strasbg.	C	10	50
G'rnsey	C	8	46	Sydney	C	23	73
Helsinki	S	−9	16	Tangier	F	19	66
H. Kong	R	18	64	Tel Aviv	S	19	66
Innsbrk.	C	7	45	Tenerife	F	19	66
Invrnss.	C	4	39	Tokyo	S	17	63
I.o.Man	F	7	45	T'r'nto†	S	−1	30
Istanbul	S	12	54	Tunis	S	20	68
Jersey	F	10	50	Valencia	F	16	61
Jo'burg		—	—	Venice	F	12	54
L. Plms.	S	20	68	Vienna	C	10	50
Lisbon	S	14	57	Warsaw	R	6	43
Locarno	R	5	41	Zurich	R	6	43
London	C	8	46				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Sow. T—Thunder.
† Noon GMT temperatures.

Inquiry into roads cost rise

Continued from Page 1

be exceeded as the volume of spending on motorway and trunk road construction (ignoring relative cost changes) is likely to be less than planned.

Officials suggest the increases date from the mid-1970s recession. Construction companies took on business at a loss and gave the Department tenders at competitive rates. This led to a favourable movement in relative costs.

Companies which survived the decline in road building felt they could no longer sustain loss-making tenders and have tried to restore profit margins.

The Department's initial studies do not show any evidence of cartel formation. All tenders have been sufficiently different and competitive to rule this out.

The sharp rise in oil prices may be another partial explanation as bitumen is used for road surfaces and road-making machines need fuel.

Delays on some projects may have added to their relative cost.

Japanese shipyards criticised

Continued from Page 1

Japan increased its output for the first time since the onset of the recession and won 60 per cent of all new orders. Japan's shipbuilding output in 1980 at 4.9m compensated gross registered tonnes is 26 per cent above the AWES forecast whereas European output of 4m compensated gross registered tonnes is virtually identical with the forecast.

Several European countries believe Japan has not honoured its side of the 1976 agreement.

They say Japan has not cut back its output as much as promised. In July, 1976, 61 major Japanese shipbuilders agreed to cut their capacity from 9.8m to 6.4 compensated gross registered tonnes a year—equivalent to the forecast demand in 1985.

In addition, the 39 biggest shipbuilding companies were allowed to establish a "recession cartel" in August, 1979, and agreed to limit their output to 39 per cent of peak capacity. This implied an effective ceiling in 1979-80 and 1980-81 of 3.8m compensated gross registered tonnes.

In fact, Japan's 1980 output was nearly a third higher than this.

SHIPBUILDING OUTPUT

(Million compensated gross registered tonnes)

	1975	1980 (forecast)	1980 (actual)
EEC	4.4	2.4	2.4
Rest of AWES*	3.2	1.5	1.6
AWES total	7.6	3.9	4.0
Japan	7.7	3.9	4.9
Rest of world	4.2	4.0	N/A
Total	19.5	11.8	N/A

* Association of West European Shipbuilders.

Source: OECD and 1976 forecast of AWES.

The cartel has been extended for another year to March, 1982, and members have obtained permission to increase output by a third. However, it seems likely that Japanese output will comfortably exceed the ceiling and approach 6m compensated gross registered tonnes compared with less than 4m compensated gross registered tonnes a year in Western Europe.

British Shipbuilders believes Japan has abandoned the principles of "solidarity, fairness and international responsibility" enshrined in the 1976 OECD agreement. It wants Japan to drop its plans to increase output at 30 per cent and wants the EEC to set a "capacity threshold" to demonstrate its strategic commitment to a viable European shipbuilding industry.

Not everyone feels as strongly about the Japanese threat as British Shipbuilders. The West Germans and Danes, in particular, are not anxious to foster confrontation. However, Japan is likely to be asked tomorrow whether it is still observing the spirit of self-restraint.

In its defence, Japan stresses that the bulk of ships ordered have been from traditional customers in S.E. Asia and the yen has strengthened significantly in recent months, diminishing its price advantage.

● Up to a fifth of British Shipbuilders' 70,000 workforce could face redundancy if the unions persist with their pay claims, Mr. Robert Atkinson, chairman of British Shipbuilders, told the annual dinner of the Institute of Marine Engineers.

He had costed the claim submitted by the Confederation of Shipbuilding and Engineering Unions and it was equivalent to a 27 per cent increase. He described the claim as "plain bloody nonsense."

THE LEX COLUMN

The challenge of index linking

Gilt-edged analysts around the City are busy trying to sort out the quirks of the Government's new inflation proofed bond unveiled in the Budget, 2 per cent Index Linked Treasury 1996. The immediate problem is what what price to bid at the tender on Friday week. But it is the scale of the implications of this step to index linking which is causing the real heart-searching; the pension industry is beginning to feel that the Chancellor has almost casually opened up a whole new Pandora's Box.

A straw poll suggests that the new stock, £1bn of which is available to pension funds only, will be valued in the market somewhere in the 110-115 range where it would give a real return of around 1 per cent. Opinion could well change in the next ten days, however, partly because there is still some controversy over the index-linked mathematics.

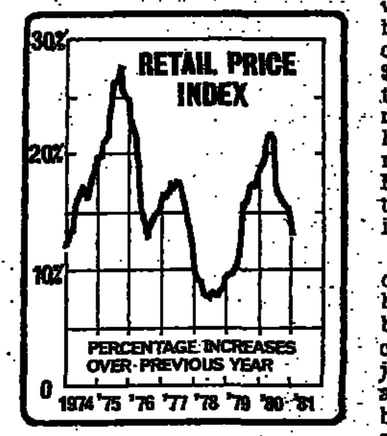
—Some say the stock will give a real return of 2 per cent at par, 1 per sent at 114 and zero at 131. Others point out that the stock has features like an eight-month lag in the index-linking which cause the returns to be less than they might appear. Thus brokers Hoare Govett, for example, have ploughed through pages of algebra to produce a whole matrix of numbers which suggests that the zero return could be reached at as low a price at 124 (and a return of 1 per cent at 110).

One important characteristic of the stock will be its high volatility, given that the price will change by about 10 per cent for each point of variation in the real interest rate. This could be aggravated by the initial limitation of supply, and bearing in mind that the length — at 15 years — is rather short for pension fund needs the stock rather than being locked away, could turn out to be quite actively traded. Further issues are likely, however, and the prospectus makes provision for the Treasury to widen eligibility beyond pension funds.

Some pension fund managers have already had a big response from their clients, and inflation proofed investments obviously have a ready appeal. But fund managers and consulting actuaries will no doubt be pointing out the disadvantages of index-linking at this kind of rate.

A crucial point is that the stock is linked to an index of prices and not earnings, so that if wages continue to outstrip prices by an average of 2 per cent a year, as they have over the long run, funding deficiencies could still develop. In general actuaries assume a a real return of 3 per cent on investments, maybe more. To invest heavily at, say, a 1 per cent return would be to accept, by implication, the need for a rise in the contribution rate.

There may be no question of index-linked bonds displacing equities and property as mainstream investments, but they do



create options which have not existed before. There is now a way, for instance, for funds to match liabilities incurred by the inflation-proofing of pensions in payment, allowing private sector pensioners to come in out of the "ex gratia" wilderness. Many companies could come under pressure to rewrite their pension scheme contracts.

The challenge for fund managers from now on is that the index-linked bonds will represent a kind of riskless yardstick against which to measure performance. If they continue to prefer more conventional investments the trustees (who decide policy) and the managers (who carry it out) will have to demonstrate that the extra risks produce extra performance. From now on it could be much easier to make a charge of negligence stick.

Fund managers will be able to fall back, however, on the argument that in the long run equities have reliably provided a reasonable real return—certainly when bought at the yield of 6 per cent available currently. The price of absolute security can be too high, except when it is absolutely necessary.

Hongkong & Shanghai

The Hongkong and Shanghai's decision to launch its first rights issue since 1921 has an aggressive ring to it. At U.S.$380m, the 3 for 20 call is large by any standards and twice the size of any previous rights issue in the colony. Taken together with a doubling of authorised capital and a property revaluation which more than doubles net worth the bank's posture may seem in some quarters to be downright menacing.

True to form, the bank has drawn a discreet veil over its intentions, saying only that it wishes to ensure a proper balance between its assets and capital base. Admittedly the $830m of shareholders' funds thrown up by the property revaluation may not be of the highest quality. Equally, no matter how it accounts for the Marine Midland acquisition, the transaction will substantially inflate its asset base.

Yet the bank's reported ratio of capital to assets would still be sufficient to make a U.S. bank green with envy even without the rights issue. And, to judge from its Byzantine accounting procedures, the bank has not until now been too concerned about the cosmetic appearance of its balance sheet.

The bank may simply be stocking up with capital in anticipation of booming business in South China. Hong Kong already has at least 700 joint ventures with the area, and since China has no real capital formation, the demands on the bank will be enormous.

Alternatively, however, the move may be a stroke of enlightened opportunism. Having provided the liquidity to fund the upward spiral of the Hang Seng index, the bank must be tempted to cash in itself. With the shares trading on a multiple of 15½ times reported earnings, the cost of new equity capital is low. The bank is certainly at a big advantage over U.S. or British banks which are priced in the market at a discount to net worth.

If so, the cash call is an exceedingly bearish signal for the market and indeed last week's announcement drove the Hang Seng index down 76 points to 1,295 on the following day. Since the bank is dressing up its balance sheet as well as raising new cash, an acquisition looks distinctly plausible. It could of course use its paper. Hongkong Bank is currently capitalised in the market at $4.2bn, and leaving regulatory problems aside, almost any institution looks fair game.

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